11,271/11,278

ExxonMobil Production Company U.S. West P.O. Box 4697 Houston, Texas 77210-4697



February 28, 2002

Bureau of Land Management Roswell District Office Attention: Mr. Les Babyak 2509 N. 2nd Roswell, NM 88201

> Avalon (Delaware) Unit Eddy County, New Mexico Review of 2001 Operations and Plan of Development for 2002

Gentlemen:

Exxon Mobil Corporation, Unit Operator of the Avalon (Delaware) Enhanced Recovery Unit, submits for your approval the attached Review of 1999-2001 Operations and Plan of Development for 2002.

We respectfully request your approval for the proposed Plan of Development for 2002. Should you have any questions or require additional information, please do not hesitate to contact the undersigned at (713) 431-1470.

Very truly yours,

L. W. Coppedge

Land Representative

/vmk Enclosures (Originals + 3 copies) Avalon (Delaware) Enhanced Recovery Unit Eddy County, New Mexico

CC: New Mexico Oil Conservation Division Roy Johnson 1220 South St. Francis Drive Santa Fe, NM 87505

> State of New Mexico Commissioner of of Public Lands 310 Old Santa Fe Trail Santa Fe, NM 87501

ExxonMobil Production Company: Ricky Pena, Reservoir Engineer – 618 West Greens Rd., Houston, TX Randy Hanselka, Operations Supt. – 1240 West Greens Rd., Houston, TX Land File

Avalon Delaware Unit

Review of Operations 1999-2001

1999:

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- Converted additional unit wells ADU 401, 433, 816, and 916 to source water make-up wells
- Converted a pre-producer (ADU#523) to injection

2000:

- Installed Double Eagle freshwater line and secured freshwater for injection.
- Conducted step-rate tests to optimize injection pressures.
- Completed preliminary Geologic and Reservoir Modeling.
- Submitted Application to certify the ADU Waterflood Project for a positive production response pursuant to the New Mexico Enhanced Oil Recovery Act. Application was approved on October 30, 2001.

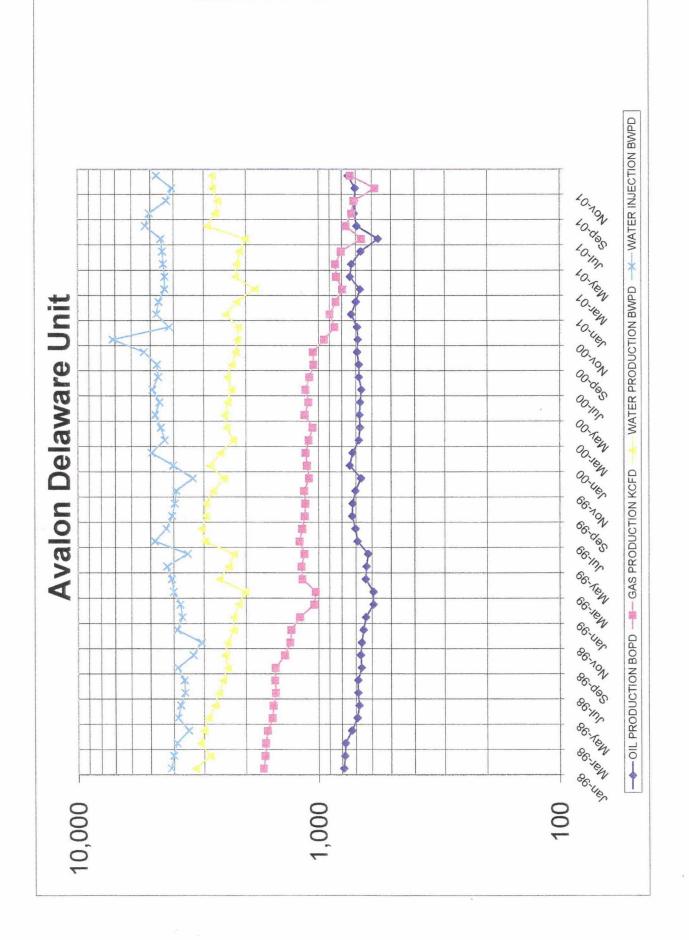
2001:

- Converted ADU 364 to source water well
- Converted a pre-producer, ADU 516, to water injection well
- Added perforations in ADU 514 to improve conformance

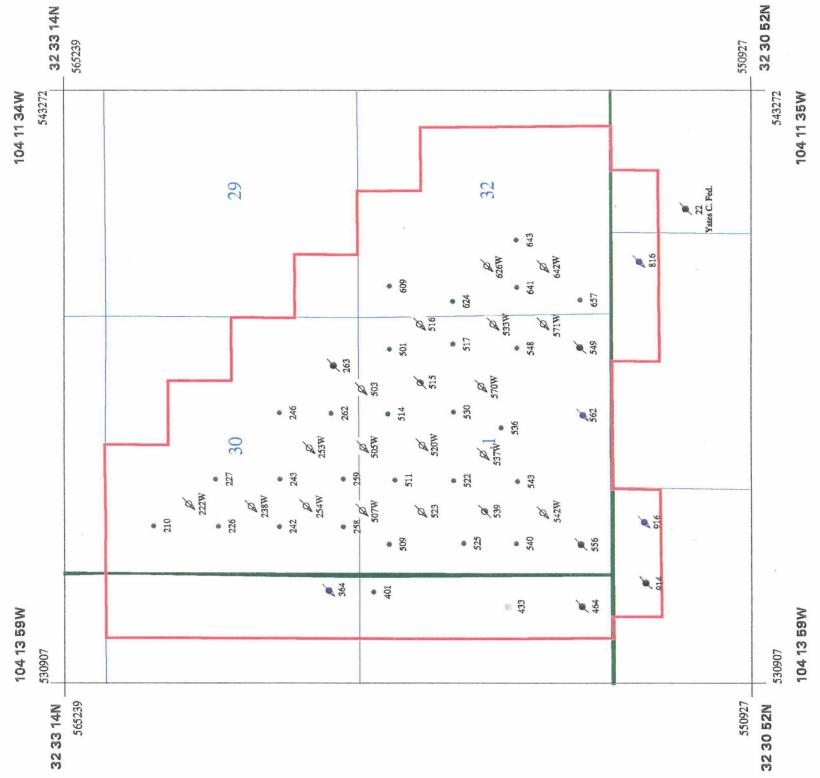
Plan of Development

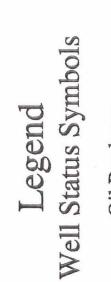
2002:

- Convert pre-producer ADU 539
- Identify additional wells for conversion to Make-Up Source Water
- Conduct an Infill Drilling Potential Evaluation



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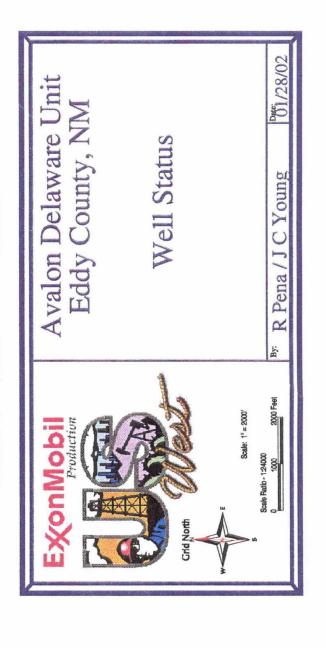
- Oil Producer .
- Water Injector

De

- Pre-Producing Injector à
- Make-Up Source Water
- TA'd Producer
- Disposal

ø

Shut-In Oil Producer



COMMISSIONER'S OFFICE Phone (505) 827-5760 Fax (505) 827-5766

ADMINISTRATION Phone (505) 827-5700 Fax (505) 827-5853

GENERAL COUNSEL Phone (505) 827-5713 Fax (505) 827-4262

PUBLIC AFFAIRS Phone (505) 827-1245 Fax (505) 827-5766

March 11, 2002

ExxonMobil Production Company U.S. West P.O. Box 4697 Houston, Texas 77210-4697

Attn: Mr. L. W. Coppedge

Re: 2002 Plan of Development Avalon (Delaware) Unit Eddy County, New Mexico

Dear Mr. Coppedge:

The Commissioner of Public Lands has, of this date, approved the above-captioned Plan of Development. Our approval is subject to like approval by all other appropriate agencies.

The possibility of drainage by wells outside of the unit area and the need for further development of the unit may exist. You may be contacted at a later date regarding these possibilities.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M. COMMISSIONER OF PUBLIC LANDS

BY:

JAMI BAILEY, Director Oil, Gas and Minerals Division (505) 827-5744

RP/JB/cpm xc: Reader File

OCD

BLM

COMMERCIAL RESOURCES Phone (505) 827-5724 Fax (505) 827-6157

MINERAL RESOURCES Phone (505) 827-5744 Fax (505) 827-4739

ROYALTY MANAGEMENT Phone (505) 827-5772 Fax (505) 827-4739

SURFACE RESOURCES Phone (505) 827-5793 Fax (505) 827-5711



New Mexico State Land Office

Commissioner of Public Lands

Ray Powell, M.S., D.V.M.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON Governor BETTY RIVERA Cabinet Secretary Lori Wrotenbery Director Oil Conservation Division

ADMINISTRATIVE ORDER NO. WFX-783

APPLICATION OF EXXON MOBIL CORPORATION TO EXPAND ITS AVALON DELAWARE UNIT WATERFLOOD PROJECT IN THE AVALON-DELAWARE POOL IN EDDY COUNTY, NEW MEXICO

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Division Order No. R-10460-B as amended, Exxon Mobil Corporation has made application to the Division on May 3, 2002 for permission to expand its Avalon Delaware Unit Waterflood Project in the Avalon-Delaware Pool in Eddy County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

(1) The application has been filed in due form.

(2) Satisfactory information has been provided that all offset operators have been duly notified of the application.

(3) No objection has been received within the waiting period as prescribed by Rule 701(B).

(4) The proposed injection well is eligible for conversion to injection under the terms of Rule 701.

(5) The proposed expansion of the above referenced waterflood project will not cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED THAT:

The applicant, Exxon Mobil Corporation, is hereby authorized to inject water into the Delaware formation at 2516 feet to 3626 feet through 2 3/8-inch plastic lined tubing set in a packer located within 100 feet of the uppermost injection perforations in the following described well for purposes of secondary recovery:

Avalon Delaware Unit Well No. 539 (API No. 30-015-28682) 2600' FSL & 1322' FWL Unit L, Section 31, Township 20 South, Range 28 East, NMPM Maximum Surface Injection Pressure: 504 PSI

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into the well, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection wells to 0.2 psi per foot of depth to the uppermost injection perforations.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the Delaware formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Artesia district office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity tests so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Artesia District office of the Division of the failure of the tubing, casing or packer in this well and shall take such steps as may be timely and necessary to correct such failure or leakage.

The subject well shall be governed by all provisions of Division Order No. R-10460-B and Rules 702-706 of the Division Rules and Regulations not inconsistent herewith.

<u>PROVIDED FURTHER THAT</u>, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and Administrative Order WFX-783 Exxon Mobil Corporation May 21, 2002 Page 3

hearing, terminate the injection authority granted herein.

The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

DONE at Santa Fe, New Mexico, on this 21st day of May 2002.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

Loi Cententory

LORI WROTENBERY Director

S E A L

LW/WVJ

cc: Oil Conservation Division - Artesia Case File No. 11298 File-WFX-783

11297



POST OFFICE BOX 4697 • HOUSTON, TEXAS 77210-4697

PRODUCTION DEPARTMENT HOUSTON PRODUCTION ORGANIZATION

February 25, 1999

Avalon (Delaware) Unit Eddy County, New Mexico Review of Operations 1996-1998 Plan of Development for 1999

Bureau of Land Management Roswell District Office 2509 North 2nd Roswell, New Mexico

Attention: Tony Ferguson Assistant District Manager of Minerals

Gentlemen:

Exxon Corporation, Unit Operator of the Avalon (Delware) Enhanced Recovery Unit, submits for your approval the attached Review of Operations, 1996-1998, and Plan of Development for 1999.

We respectfully request your approval of the proposed Plan of Development for 1999.

Very truly yours,

Bob Mathew (713) 431-1029

Enclosures MPM:jbe ADUpod.doc

c: New Mexico Oil Conservation Dvision Attention: Roy Johnson
P. O. Box 2088 Santa Fe, NM 87501

State of New Mexico Commissioner of Public Lands P. O. Box 1148 Santa Fe, NM 87504-1148



Avalon Delaware Unit

Review of Operations 1996-1998

1996:

- Initiated injection on 2 of the first 4 drill wells
- Drilled 14 more injection wells
- Performed workovers on existing 18 unit wells:
 - ADU 501, 549 Returned wells to pump ("RWTP") ADU 515 - Removed BP's, RWTP ADU 914 - TA ADU 916 - TA ADU 522, 514, 262, 263, 242, 243, 226, 227, 536, 548 643, 657, & 641 - added pays
- Completed installation of water injection facilities and began fieldwide water injection

1997:

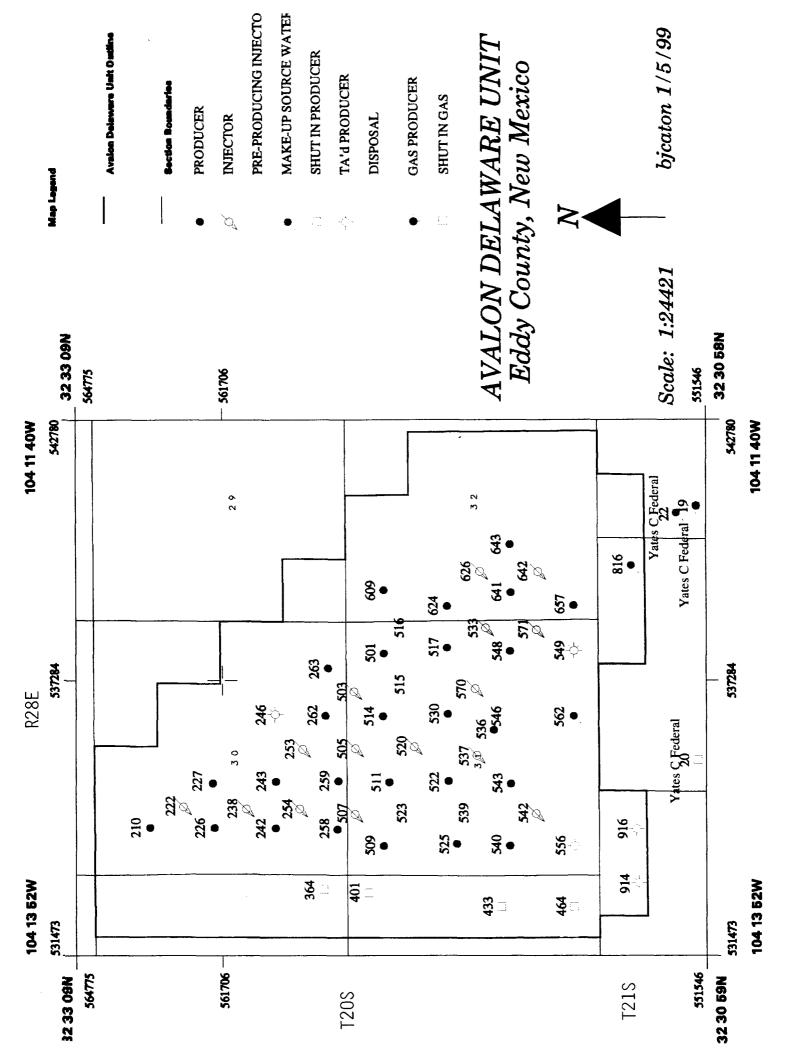
- Installed additional facilities for injection water quality improvements
- Converted ADU 562 and Yates "C" Federal #22 to source water make-up wells

1998:

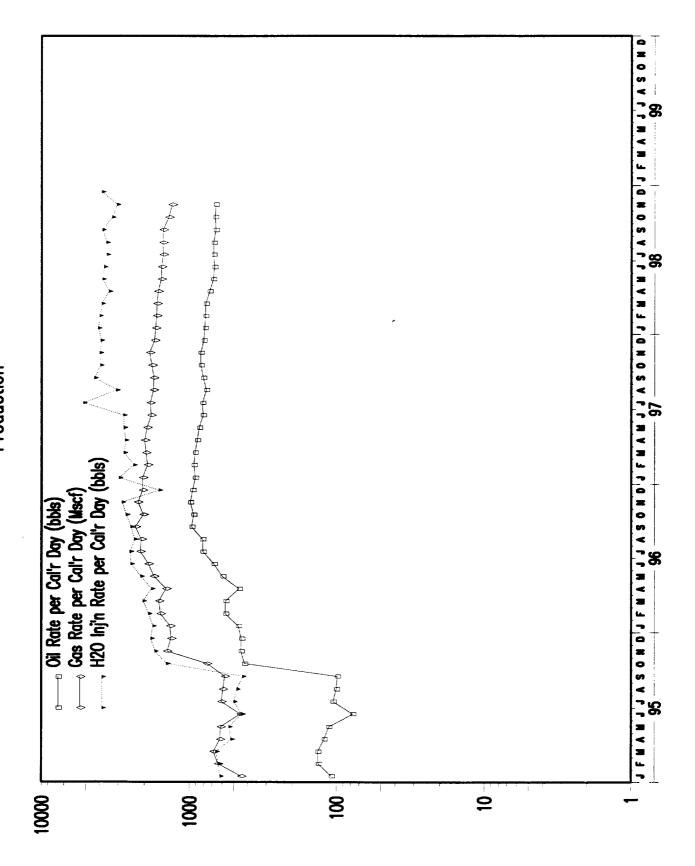
• Performed field injectivity test to determine the percentage of fresh water which can be diluted with produced water

Plan of Development for 1999:

- Continue unit operations
- Convert additional unit wells ADU 916, 433, and 401 to source water make-up wells and pursue other potential sources of make-up water
- Upon obtaining additional make-up water, convert 4 remaining preproducers to injection







KELLAHIN AND KELLAHIN ATTORNEYS AT LAW

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

EL PATIO BUILDING 117 NORTH GUADALUPE POST OFFICE BOX 2265 SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285 TELEFAX (505) 982-2047

July 28, 1995

HAND DELIVERED

Mr. Michael E. Stogner Hearing Examiner Oil Conservation Division 2040 South Pacheco Santa Fe, New Mexico 87505

Re: **PROPOSED AVALON UNIT STATUTORY UNITIZATION**

NMOCD Case 11297 Application of Exxon Corporation for a Waterflood Project and EOR Qualification Eddy County, New Mexico

NMOCD Case 11298 Application of Exxon Corporation for Statutory Unitization Eddy County, New Mexico

Dear Mr. Stogner:

On behalf of Premier Oil & Gas, Inc., please find enclosed our proposed order for your consideration in this matter which was presented to you at the hearing held on June 29, 1995.

Very trul Thomas Kellahin cc: James Bruce, Esq. Attorney for Exxon Corporation cc: William F. Carr, Esq. Attorney for Yates Petroleum Corporation cc: Premier Oil & Gas, Inc. Attn: Kenneth Jones

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

APPLICATION OF EXXON CORPORATION CASE NO. 11297 FOR A WATERFLOOD PROJECT AND EOR QUALIFICATION, EDDY COUNTY, NEW MEXICO

APPLICATION OF EXXON CORPORATION CASE NO. 11298 FOR STATUTORY UNITIZATION, EDDY COUNTY, NEW MEXICO

PREMIER OIL & GAS, INC.'S PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 29, 1995, at Hobbs, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of July, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Case Nos. 11297 and 11298 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Exxon Corporation ("Exxon"), seeks the statutory unitization, pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, N.M.S.A. (1978), of 2,140.14 acres, more or less, being a portion of the Delaware Mountain Group of the Avalon-Delaware Pool, Eddy County, New Mexico, said portion to be known as the Avalon Delaware Unit; the applicant further seeks approval of the Unit Agreement and the Unit Operating Agreement which were submitted in evidence as applicant's Exhibit Nos. 2 and 3 in this case.

(4) Exxon proposes that the horizontal limits of said unit area would be comprised of the following described Federal, State and Fee lands in Eddy County, New Mexico:

Tract 1:	SW/4 Sec 29, T20S, R28E
Tract 2:	Sec 31, T20S, R28E
	Lot 4(NW/4NW/4) Sec 4 T21S, R27E
	Lots 1&2 (N/2NE/4) Sec 5 T21S, R27E
Fract 3-A:	Lot 1 (NW/4NW/4) Sec 30, T20S, R28E
Tract 3-B:	Lot 2 (SW/4NW/4) Sec 30, T20S, R28E
Tract 3-C:	NE/4NW/4 Sec 30, T20S, R28E
Tract 3-D:	SE/4NW/4 Sec 30, T20S, R28E
Tract 3-E:	SW/4NE/4 Sec 30, T20S, R28E
Tract 4-A:	NW/4SE/4 Sec 30, T20S, R28E
Tract 4-B:	NE/4SE/4 Sec 30, T20S, R28E
Tract 5-A:	Lot 3 (NW/4SW/4) Sec 30, T20S, R28E
Tract 5-B:	Lot 4 (SW/4SW/4) Sec 30, T20S, R28E
Tract 5-C:	NE/4SW/4 Sec 30, T20S, R28E
Tract 5-D:	SE/4SW/4 Sec 30, T20S, R28E
Tract 5-E:	SW/4SE/4 Sec 30, T20S, R28E
Tract 5-F:	SE/4SE/4 Sec 30, T20S, R28E
Tract 6:	E/2E/2 Sec 25, T20S, R27E
Tract 7:	E/2NE/4 Sec 36, T20S, R27E
Tract 8:	E/2SE/4 Sec 36, T20S, R27E
Tract 9:	Lots 1 & 2 (N/2NE/4) Sec 6, T21S, R27E
Tract 10:	W/2W/2, NE/4NW/4, SE/4SW/4 Sec 32, T20S, R28E
Tract 11:	SE/4NW/4 & NE/4SW/4 Sec 32, T20S, R28E
Tract 12:	E/2SE/4, SW/4NW/4 Sec 32, T20S, R28E

(5) Exxon proposes that the vertical limits of said unit area would comprise that interval which includes the "Upper Cherry Canyon Reservoir" ("UCC") and the "Lower Cherry Canyon/Upper Brushy Canyon Reservoir" ("LCC-UBC") and extends from an upper limit between 100 feet above the base of the Goat Seep Reef to the top of the Bone Springs formation to a lower limit of the base of the Brushy Canyon formation which are defined at all points under the unit area correlative to a depth of 2,378 feet and 4,880 feet, respectively, as identified on the Compensated Neuron/ Litho density/Gamma Ray Log dated September 14, 1990 for the Exxon Yates "C" Federal Well No. 36, located in Unit A of Section 31, T20S, R28E, NMPM, Eddy County, New Mexico.

(6) Exxon, with approximately 61 percent of the unit acreage and Yates Petroleum Corporation ("Yates") with approximately 13-1/2 percent of the unit acreage appeared and presented evidence in support of approval of the unit.

(7) Premier Oil & Gas Inc. ("Premier"), the operator of Tract 6 with 7.6 percent of the unit acreage and 4.16% of the total remaining reserves (by Exxon's calculation--See Exxon Exhibit 10 (G-19) but credited by Exxon with only 1.0192% of unit production appeared and presented evidence in opposition to including Tract 6 with the unit.

EXXON PROPOSAL

(8) Exxon proposes to:

(a) institute a Secondary Recovery Project for recovery of oil by waterflooding an interior portion of the unit which will be surrounded by an outer ring of 40-acre tract which will not contain producing wells nor contain or be offset by injection wells. (See Exxon Exhibit 39); and

(b) possibly at an undetermined time in the future to convert the Secondary Recovery Project to a Tertiary Recovery Project by expanding the original waterflood project area by drilling additional injection wells and producing wells and commencing the injection of carbon dioxide ("CO2") at which point the outer ring tracts will contain producing and adjacent injection wells. (9) Exxon contends that, based upon its Technical Report (Exxon Exhibit 10 G-14), the reserves for the Tracts in the Unit should be allocated as follows (reserve data units is in thousands of barrels of oil):

	TRACT	OPERATOR	REMAINING PRIMARY RESERVES*	SECONDARY WATERFLOOD RESERVES*	TERTIARY CO2 RESERVES*
	1	YATES	0.00	0.00	203.90
	2	EXXON	741.80	4,368.20	18,995.00
S	3-A	YATES	0.00	345.10	530.60
Q	3-B	YATES	43.40	403.60	1,693.00
	3-C	YATES	0.00	0.80	446.70
V	3-D	YATES	33.40	373.30	1,045.90
	3-E	YATES	0.00	0.00	362.50
Ś	4-A	YATES	0.00	0.00	852.50
Q	4-B	YATES	0.00	0.00	247.40
	5-A	YATES	53.40	368.10	1,425.90
	5-B	YATES	19.30	174.50	1,189.70
1	5-C	YATES	33.80	741.50	2,177.20
1	5-D	YATES	40.30	698.40	2,009.30
	5-E	YATES	20.20	157.50	966.20
V	5-F	YATES	0.00	69.30	481.00
	6	PREMIER	0.00	0.00	1,626.00
	7	OXY-YATES	0.00	0.00	427.60
	8	MWJ PROD.	0.70	0.00	165.80
	9	MERIT	0.00	0.00	444.30
	10	EXXON	202.80	499.40	3,350.90
	11	EXXON	3.10	69.70	1,050.50
	12	EXXON	0.00	0.00	191.10
	TOTAL		1,192.20	8,269.40	39,883.00

CASE NOS. 11297 & 11298 ORDER NO. R-PAGE NO. 5

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PREMIER'S OBJECTIONS

(10) Premier contends that its Tract 6 should be excluded because:

(a) Exxon proposes to include a column of 40-acre tracts including four 40-acre tracts (Tract 6) operated by Premier within the western boundary the Avalon Unit but does not intend to attempt to recovery from those tracts any remaining primary oil or any secondary oil by waterflooding;

(b) Exxon basis its plan upon a Technical Report dated August, 1992 (Exxon Exhibit 10) which was prepared exclusively by Exxon personnel and submitted to Yates and the other working interest owners on November 25, 1992;

(c) the Secondary Recovery Project ("waterflooding") is the reason for the Unit, while the Tertiary Recovery Project ("CO2") has only some probability of happening/not happening (See Exxon Exhibit 7--letter dated 10/10/94);

(d) on June 17, 1994, the working interests owners met to discuss the Exxon Technical Report and unanimously agreed to **exclude** Premier's Tract 6 from both the Secondary Recovery and Tertiary Recovery project in the Avalon Unit and Exxon has made no change in its Technical Report to now justify including the Premier Tract in the Unit;

(e) under the Exxon analysis the inclusion of the Premier Tract 6 is **not necessary** in order to effectively carry on the Secondary Recovery Project and that it is **premature** to include this Tract 6 for a Tertiary Recovery Project

(f) under the Exxon analysis there is **no increase** in ultimate recovery of secondary oil from the unit by including the Premier Tract 6;

(g) the Exxon analysis of the CO2 potential is speculative and not been the subject of any scientific study to determine its feasibility and therefore any forecasted increase in ultimate recovery of tertiary oil from the unit by including the Premier Tract 6 is speculative;

(h) Exxon operates or owns working interests in all tracts except Tracts 6, 7, and 8, seeks to include the Premier Tract 6 only as a "protection buffer" and assigns no "contributing value" for secondary oil recovery; See Section 70-7-4(J) NMSA 1978;

(i) Because Premier, as owner of all of Section 25, T20S, R27E, is not receiving any "contributing value" for primary or secondary oil, it does not want to divide its property for Exxon's satisfaction.

(j) that Premier's Tract 6 can be excluded in accordance with the New Mexico Statutory Unitization Act.

(11) In the alternative, Premier contends that if Tract 6 is to be included in the unit, then and in that event, the application for unitization must be **denied** because:

(a) the horizontal and vertical limits of said unit have **not** been reasonably defined by development;

(b) Exxon's Technical Report is flawed because it incorrectly correlates the top of the Upper Cherry Canyon-Downlap Unit and the base of the Upper Cherry Canyon Reservoir in Premier's FV #3 Well located as (Unit Well 1709) within Premier's Tract 6. This results in Exxon mistakenly only attributing 55 feet of net thickness to the UCC reservoir which in turn affects the contouring of the various geologic maps, including the "TOTAL NET RESERVOIR HYDROCARBON THICKNESS AT RESV COND MAP" from which Exxon concludes that Premier's Tract 6 acreage has no remaining primary oil potential; (c) Premier's FV #3 Well when correctly correlated indicates a net porosity thickness in the Upper Cherry Canyon Reservoir of 137 feet which is some 82 feet more than attributed by Exxon; (See Premier Exhibit 2)

(d) Exxon has determined that 131 feet of net pay thickness is the average for wells in the UCC reservoir but only credits Premier's FV #3 Well with 55 feet; (See Exxon Exhibit 10 B-1)

(e) Premier's hydrocarbon pore volume map shows that there is substantial recoverable oil remaining under Premier's Tract 6.

(f) Exxon's Technical Report in assigning "relative value" to each tract, determined that based upon logged derived water saturations (Sw=0.46) there are 2,320,00 barrels of waterflood target oil to be recovered from the Premier Tract 6 (See Premier's Exhibit 8) but then arbitrarily eliminated all of that incremental oil by increasing the water saturation (Sw=0.60) based upon water production volumes reported by Gulf when it operated the Premier FV-3 Well; (See Exxon Exhibit 10 G-19)

(g) Premier has determined that SW should be derived from log analysis and not actual water production because the actual water production from the FV-3 Well is attributed to water encroachment from above the Upper Cherry Canyon Reservoir;

(h) Exxon over credits Yates' EP #6 Well (1113) with net pay thickness;

(i) Exxon gives workover reserves in the UCC reservoir to Yates' Tracts 1111, 1311, 1313, 1511 but excludes workover reserves for Premier's Tract 6 which has the same reservoir parameters with identical Sw values (See Exxon Exhibit 10 Map 19);

(j) Exxon is biased in distributing waterflood reserves;

(k) Exxon has incorrectly mapped the UBC reservoir's gross thickness on Premier's acreage;

BACKGROUND-UNITIZATION NEGOTIATIONS

(12) On May 21, 1991, Exxon commenced unitization plans for the Avalon Area and announced its schedule to commence waterflood operations by June, 1992.

(13) In November, 1991 Exxon issued its first Technical Report, but progress towards unitization was delayed until August, 1992 when Exxon issued its Second Technical Report (Exxon Exhibit 10) and circulated that report to the working interest owners.

(14) The Exxon technical Report was undertaken exclusively by Exxon without requesting participation or involvement by Premier.

(15) On November 25, 1992, David Boneau on behalf of Yates advised Exxon that:

(a) Yates considered the engineering work in the August-1992 Technical Report to have "cut a few corners" and expressed concern that the modeling work required that permeability be increased by a factor of two or more and "cast doubt on the shaly-sand analysis of the logs which reduced log porosity and indirectly log permeability. Maybe a different log analysis would have given permeabilities that fit the computer model without modification. Probably you all believe there is no change that the basic geologic picture can be wrong." See Yates Exhibit 6 (2-A).

(b) Yates expressed concern that the areas outside the wells where primary production has been established in the UCC-LBC may not be developed economically by CO2. (c) Yates questioned Exxon's workover reserve credited to Yates' Tracts 111, 1311, 1313, 1511 and 1513 **but** states "Since the assumed workover reserves benefit Yates, we are willing to believe the Exxon explanation and leave the workover reserves in the Engineering Report (ie, Exxon Exhibit 10 part 2).

(16) On December 22, 1992, Exxon advises Yates that Exxon has increased the primary reserves credited to Yates Wells EP-5 (Unit E-Sec 30), Well EP-8 (Unit F-Sec 30) and C-36 (Unit A-Sec 31).

(17) By January 7, 1993 Yates has withdrawn its concerns about the Exxon Technical Report, but continues to express concerns over Exxon's AFEs, Exxon's participation formula and states "Exxon's voting procedures stinks."

(18) On April 8, 1994, Exxon with a working interest owner with 73.92 % of the unit area and the proposed unit operator proposed to Yates other major working interest owner with 12.01 % of the unit area, the formation of the subject unit utilizing a Two Phase Tract Participation Formula whereby for Phase I remaining primary oil per tract was weighted by 62.34%; waterflood reserves which included workover potential per tract was weighted by 37.56% and tertiary reserves were weighted by -0-% and then a Phase Two were the weighted percentages were 23.45%, 20.6375% and 55.9073% respectively.

(19) Under the Exxon participation formula Exxon would receive 79.71 % of Phase One oil recovery and 72.529% of Phase Two oil recovery while Yates would receive 9.837% of Phase One oil recovery and 11.55% of Phase Two oil recovery with Premier receiving -0-% of Phase One oil recovery and 2.279% of Phase Two oil recovery.

(20) On January 18, 1995, Exxon and Yates agreed to a single phase Participation Formula whereby primary oil is weighted by 25%, secondary oil and workover potential is weighted by 50% and tertiary oil is weighted by 25% which results in Exxon receiving 73.92% of unit production, Yates receiving 12.01% of unit production and Premier receiving 1.0192% of unit production.

(21) Exxon/Yates proposed formula is predicated upon the intention to allow each tract to recovery its percentage of remaining primary oil, its percentage of secondary oil and workover oil potential and its percentage of tertiary oil potential by a weighted formula of 25% primary, 50% secondary/workover and 25% tertiary.

THE EXXON-PREMIER DISPUTE

EXXON'S TECHNICAL DATA:

(22) Exxon in support of its contention that neither the Premier FV-3 nor FV-1 is productive of primary oil in the UCC reservoir and that addition west-side injectors are probably not appropriate presented the following geologic/engineer evidence:

(a) that the UCC reservoir reveals that the hydrocarbon distribution is a function of both structure, which controls the downdip, southern and eastern limits of production and stratigraphy which controls the updip pinchout of the reservoir quality sands into tight carbonates on the northern and western sides of the reservoir; (Exxon Exhibit 10-Vol 1)

(b) that there is no apparent updip closure of structural contours in the north and west portions of the proposed unit;

(c) that the "relative value" of Premier tract on the western boundary of the reservoir is Based upon its log analysis of the Premier FV-3 Well, Exxon has determined that there is a total gross thickness of 179 feet based upon picking the top of the Upper Cherry Canyon Downlap at 2589 feet in depth and the base of the Upper Cherry Canyon at 2768 feet in depth;

(d) Based upon a 10% percent Gamma Ray porosity and a 75 API Gamma Ray unit cutoffs, the Premier FV #3 Well has a total net thickness of 55 feet; (e) When its interpretation of net thickness for the Premier FV-3 well is integrated into its hydrocarbon pore volume map (Exxon Exhibit 10 map 22) and its volumetric calculations (Exxon Exhibit 10-Vol 1 Exhibit E-4), Premier's FV #3 Well has:

Original oil in place:	1,580,000 BO
Remaining Primary Oil:	-0-
Waterflood Target Oil:	580,000 BO
Workover Target Oil:	-0-
CO2 Target Oil:	1,320,000 BO

See Exxon Exhibit 10 Vol 1 Exhibit E-6

(f) Exxon concluded that the average Water saturation for the UCC Reservoir by log calculations was 44% and by watercut was 46% but for the Premier FV-3 well that Sw factor should be adjusted to 60% because Gulf reported higher water production in that well than the averages; See Exxon Exhibit 10, Vol 1 Exhibit D-12,D-13, D-14)

(g) By increasing the Sw factor, Exxon calculated the Premier Tract to have only 360,000 barrels of oil in place and that based upon a total cumulative recovery by the FV-3-Well of 5,100 barrels of oil Tract 6 has no remaining primary oil to be recovered;

(h) Based upon its analysis of Premier's FV #3 Well, Exxon further determined that Premier's Tract 6 had no potential for waterflood target oil by applying a weighted factor of 50% to Tract 6 and further determined it had only 1.626 million barrels of CO2 target oil by applying a weighted factor of 25%. See Exxon Exhibit 10- Vol. 1 Exhibit E-7 and E-6)

(i) Finally, based upon decline curve analysis (Exxon Exhibit 10 Vol 1 Exhibit G-9), and an 85% watercut, Exxon concluded that the Premier Tract 6 had no workover Target oil. See Exxon Exhibit 10 Vol 1 Exhibit G-19).

PREMIER'S TECHNICAL DATA:

(23) Premier, the owner/operator in Tract 6, appeared in opposition to the case.

(24) Premier contends that the revised Exxon proposed unit shape, reservoir parameters and participation formula fail to provide "relative value" to Tract 6 as required by Section 70-7-4(J) NMSA (1978), as amended, and unless corrected by the Division will be violated.

(25) Premier provided geologic and petroleum engineer evidence which demonstrates that:

(a) based upon log correlations prepared by Gerrald Harrington, its expert geologic consultant, including log analysis of the Premier FV-3 Well, Premier has determined that the Premier FV-3 Well has a total gross thickness of 308 feet based upon picking the top of the Upper Cherry Canyon Downlap at 2544 feet in depth and the base of the Upper Cherry Canyon at 2852 feet in depth. (See Premier Exhibits 1, 2, and 3)

(b) Mr. Harrington concludes that:

1. the correct correlations will also increase reservoir quality and quantity for Premier location 1509 and that additional UCC reservoir potential exists in Premier's Section 25 (See Premier Exhibit 1)

2. that attributing the correct net thickness to the FV #3 Well changes the contouring of the "UPPER CHERRY CANYON HYDROCARBON THICKNESS MAP" which results in a significantly larger areal extent of the UCC reservoir extending to the north and northwest than that which the Exxon Technical Report attributes to the Premier's Section 25. (See Premier Exhibits 4, 4A,6, and 6A) 3. that the FV-2 Well log demonstrates potential for UCC reservoir extending westward into other acreage in Section 25 which Exxon excluded from the unit.

4. additional log correlations demonstrate that Exxon has incorrectly attributed a substantially greater net reservoir thickness and subsequently more hydrocarbon reserves to the Yates "EP" #6 Well (Unit Well 1113) than the Premier analysis and correlations indicate. As a result of this application of incorrect data, Exxon has attributed substantially more recoverable hydrocarbon reserves to Yates' Tract 3-C and its offsetting unit tracts than is warranted.

5. that the Yates EP #6 Well should have been credited with only 40-42 feet of net pay thickness instead of the 99.5 feet credited by Exxon to this well; (See Premier Exhibit 3)

6. that Exxon has incorrectly correlated the log of the Premier FV #3 Well and as a result had failed to give the Premier FV #3 Well its correct total net thickness of UCC reservoir and failed to properly value the reservoir quality and quantity for Premier's Tract 6;

(c) Stuart Hanson, another expert geologic consultant retained by Premier, conducted an independent geologic study which included calibrating and scaling the mudlog for the Premier FV #3 Well and to correlate the Mudlog with the Compensated Neutron Density Gamma Ray Log for that same well and concluded that:

> 1. the Premier FV #3 Well had an untested portion from 2777 feet to 2791 feet of the UCC reservoir which correlate to a productive portion from 2717 feet to 2730 feet in the offsetting WM

#4 Well (Unit M) Section 30, (See Premier's Exhibit 7) and which, in terms of core analysis and log derived water saturations, showed this interval to be consistent with UCC primary production in the Unit area.

2. that Exxon had incorrectly correlated these wells and in doing so have failed to properly credit the Premier Well with sufficient reservoir thickness.

3. concurred with the conclusions of Mr. Harrington that based upon a 10% percent porosity and a 75 API unit cutoffs, the Premier FV #3 Well has a total net thickness of 137 feet;

4. when Premier's interpretation of net thickness for the Premier FV-3 well is integrated into its hydrocarbon pore volume map (Premier Exhibit 6) and its volumetric calculations, Premier's VF #3 Well has an estimated 2,910,000 barrels of oil in place, 860,000 barrels of waterflood target oil and 2,380,000 barrels of CO2 target oil.

(d) Premier concludes that the average water saturation ("Sw") for the Premier FV-3 Well should be 39.1% because it is incorrect to use actual water production which is attributed to a poor cement job acid/frac height and water production from a squeezed zone and therefore Sw should not be increased to 59.9% as Exxon did.

(e) By using the proper Sw factor, Premier concludes that the Premier's FV #3 Well has 2,910,000 barrels of oil in place and that based upon a total cumulative recovery by Premier's FV #3 Well of 5,100 barrels of oil, Tract 6 still has remaining primary oil to be recovered;

(f) Based upon Exxon's own report, Mr. Paul White, Premier's expert petroleum engineering witness, concluded that:

1. Mr. Hanson and Mr. Harrington had correctly correlated the Premier's FV #3 Well;

2. the Premier Tract 6 has UCC waterflood target oil of 2,320,000 barrels of oil in place, that Yates operated tracts bordering Premier's tracts have 2,680,000 barrels of UCC waterflood target oil (See Premier Exhibit 8) and **therefore** the Exxon Report is biased when it attributed "-0-" waterflood reserves to the Premier Tract 6 (See Exxon Exhibit 10 G-19);

3. that Exxon should have extended the "outer ring-buffer" to include an additional column of 40acre tracts in Section 25 in order to be consistent with Exxon's inclusion of the Exxon owned tracts in the Southeastern corner of the Unit which contain little or no waterflood target oil;

4. that the waterflood reserves improperly favored both Yates and Exxon as working interest owners in Section 30 to the disadvantage of Premier.

5. that he did not believe the amount of UCC workover target oil Exxon credited to Tracts 1111, 1311, 1313, 1511 and 1513 because the Yates EP #7 Well (1111) had an estimated workover potential of 266,600 barrels (Exxon Exhibit 10 G-19) but the well has only produced 2,000 barrels to date. Therefore these reserves further biased the Exxon report in favor of Exxon and Yates who are both working interest owners in Section 30.

(g) Mr. Kenneth Jones, Premier's owner/operator, testified that he had no confidence in the accuracy of the Exxon Technical Report, because, among other things, Exxon's counting method for the Upper Brushy Canyon was flawed because Exxon gives Premier's FV #1 Well, 185 feet of gross thickness (Exxon Exhibit 10-Map 4) when in fact it has 215 feet (Exxon Exhibit 10-Appendix C-1) for the proposed new well on tract 1309, which is 330 feet eastward from Premier's FV #1 Well to which Exxon attributes 212 gross feet of UBC reservoir. This results in Exxon incorrectly contouring the lines on Map 4 and will also reduce the volumetric for Tracts 1109 1309 and thereby reduce original oil in place and recoverable oil from these tracts. (note: the correct gross footage should be approximately 238-242 feet)

DIVISION FINDINGS:

(26) The Division <u>finds</u> that:

(a) Section 70-2-33(H) NMSA of the Oil and Gas Act defines Correlative Rights as "...the opportunity afforded, as far as it is practicable to do so, to the owners of each property in a pool to produce without waste his just and equitable share of the oil or gas or both in the pool, being an amount so far as can be practicably determined and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas or both under the property bears to the total recoverable oil or gas or both in the pool and for such purpose, to use his just and equitable share of the reservoir energy;"

(b) Section 70-7-6(B) NMSA of the Statutory Unitization Act states "If the Division determines that the participation formula contained in the unitization agreement does not allocate unitized hydrocarbons on a fair, reasonable and equitable basis, the Division shall determine relative value, from the evidence introduced at the hearing taking into account the separately owned tracts in the unit area, exclusive of physical equipment for development of oil and gas by unit operations, and the production allocated to each tract shall be the proportion that the relative value of each tract so determined bears to the relative value of all tracts in the unit area. (c) Section 70-7-4 (J) NMSA of the Statutory Unitization Act says "relative value" means the value of each separately owned tract for oil and gas and its contributing value to the unit in relation to like values of other tracts in the unit, taking into account acreage, the quantity of oil and gas recoverable therefrom, location on structure, its probable productivity of oil and gas in the absence of unit operations, the burden of operation to which the tract will or is likely to be subjected, or so many of said factors, or such other pertinent engineering, geological, operating or pricing facts, as may be reasonably susceptible of determination.

(d) Section 70-7-7 NMSA of the Statutory Unitization Act provides that the Division has the authority and obligation to approve or prescribe a plan or unit agreement for unit operation which shall include:

"A.area of the pool <u>or part of the pool</u> to be operated as a unit and the vertical limits to be included,..."

"C. an allocation to the separately owned tracts in the unit area of all the oil and gas that is produced from the unit area..."

(27) The Division further **FINDS** that:

(a) Exxon proposes to include a column of 40-acre tracts including four 40-acre tracts (Tract 6) operated by Premier within the western boundary the Avalon Unit but does not intend to attempt to recovery from those tracts any remaining primary oil or any secondary oil by waterflooding;

(b) The Secondary Recovery Project ("waterflooding") is the reason for the Unit, while the Tertiary Recovery Project ("CO2") has only some probability of happening/not happening;

(c) on June 17, 1994, the working interests owners met to discuss the Exxon Technical Report and unanimously agreed to

exclude Premier's Tract 6 from both the Secondary Recovery and Tertiary Recovery project in the Avalon Unit;

(d) Exxon failed to present adequate evidence to demonstrate any substantial change in its Technical Report to now justify including the Premier Tract in the Unit;

(e) under the Exxon analysis the inclusion of the Premier Tract6 is not necessary in order to effectively carry on theSecondary Recovery Project:

(f) Contrary to the testimony of Mr. David Boneau on behalf of Yates that reserves under certain portions of Yates' acreage would remain unrecovered if the Premier acreage were deleted from the unit, the Secondary Recovery Plan as proposed by Exxon provide no means for the recovery of any oil west of the existing Yates' wells.

(g) Since recovery of any such oil is thereby deferred to a tertiary recovery phase for which no commitment has been made, the implication that correlative rights would be impaired and that waste would occur if the Premier acreage were deleted from the proposed unit is groundless.

(h) At such time as firm plans are formulated for a tertiary recovery project, consideration may be given to including the Premier acreage in that CO2 project.

(i) that Exxon's proposed Tertiary Recovery ("CO2") Project is not supported by substantial scientific evidence, is speculative, inadequately studied and is **premature**;

(j) under the Exxon analysis there is **no increase** in ultimate recovery of secondary oil from the unit by including the Premier Tract 6;

(k) the Exxon analysis of the CO2 potential is speculative and not been the subject of any scientific study to determine its feasibility and therefore any forecasted increase in ultimate recovery of tertiary oil from the unit by including the Premier Tract 6 is speculative;

(1) Exxon seeks to include the Premier Tract 6 only as a "protection buffer" and assigns no "contributing value" for secondary oil recovery; See Section 70-7-4(J) NMSA 1978; and

(m) that Premier's Tract 6 can be excluded in accordance with the New Mexico Statutory Unitization Act.

(28) The Division further finds that Exxon's proposal to include the Premier Tract 6:

(a) fails to conform to the statutory requirements set forth in Paragraph 26 above;

(b) fails to appropriately distribute hydrocarbon pore volume with accurate corresponding reservoir parameters and has not established the appropriate relative value to be attributed to each tract including Tract 6; and

(c) fails to submit an appropriate participation formula to allow the owners of Tract 6 to recover their proportionate share of the total remaining recoverable hydrocarbons underlying the unit.

(d) the horizontal and vertical limits of said unit have **not** been reasonably defined by development;

(e) Exxon's Technical Report is flawed because it incorrectly correlates the top and base of the Upper Cherry Canyon Reservoir in Premier's FV #3 Well located as (Unit Well 1709) within Premier's Tract 6 which results in Exxon assigning 55 feet of net thickness to this well which in turn is used to contour the various geologic maps and ultimate the hydrocarbon pore volume map from which Exxon concludes that Premier Tract 6 has no remaining primary oil potential;

(f) Premier's FV #3 Well when correctly correlated has a net porosity thickness in the Upper Cherry Canyon Reservoir of 137 feet which is some 82 feet more than assigned by Exxon;

(g) Premier's hydrocarbon pore volume map establishes that there are substantial additional recoverable oil remaining under Premier's Tract 6.

(h) Exxon's Technical Report in assigning "relative value" to each tract, determined that based upon logged derived water saturations (Sw=0.46) there are 2,320,000 barrels of waterflood target oil to be recovered from Premier's Tract 6 **but** then arbitrarily eliminated all of that incremental oil by increasing the water saturation (Sw=0.60) based upon water production volumes reported by Gulf when it operated the Premier FV-3 Well;

(i) Premier accurately determined that SW should be derived from log analysis and not actual water production because the actual water production from the FV-3 Well is attributed to water encroachment below the Upper Cherry Canyon Reservoir;

(29) The proposed Secondary Recovery ("waterflood") Project, with the deletion of Premier Tract 6, should result in the additional recovery of approximately 8,269,400 barrels of oil.

(30) The unitized management, operation and further development of the Avalon Unit Area, as modified by this Order, is reasonably necessary to effectively carry on secondary recovery operations and will substantially increase the ultimate recovery of oil and gas from the unitized portion of the pool.

(31) The unitized method of operation as applied to the Avalon Unit Area (with the deletion of the Premier Tract 6) is feasible and will result with reasonable probability in the increased recovery of substantially more oil and gas from the unitized portion of the pool than would otherwise be recovered without unitization. (32) The estimated additional costs of such operations will not exceed the estimated value of the additional oil so recovered plus a reasonable profit.

(33) Such unitization and adoption of a unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Avalon Unit Area.

(34) The granting of the application with the deletion of Tract 6 as proposed by Premier in this case will have no adverse effect upon the Delaware formation.

(35) The deletion of Premier's Tract 6 from the Avalon Unit Agreement and the Avalon Unit Operating Agreement provide for unitization and unit operation of the Avalon Unit Area upon terms and conditions that are fair, reasonable and equitable, and include:

- a) an allocation to the separately owned tracts in the unit area of all oil and gas that is produced from the unit area and which is saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;
- b) a provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations;
- c) a provision governing how the costs of unit operations, including capital investments, shall be determined and charged to the separately owned tracts and how said costs shall be paid, including a provision providing when, how, and by whom, such costs shall be paid, including a provision providing when, how and by whom such costs shall be charged to each owner or the interest of such owner, and how his interest may be sold and the proceeds applied to the payment of his costs;
- d) a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production,

IT IS THEREFORE ORDERED:

(1) The application of Exxon for the Avalon Unit Agreement covering 1971.8 acres, more or less, of Federal, State and Fee lands in the Avalon-Delaware Pool, Eddy County, New Mexico, is hereby approved for statutory unitization pursuant to the "Statutory Unitization Act", Section 70-7-1 through 70-7-21, N.M.S.A. (1978), **SUBJECT** to the following:

That Premier's Tract 6 shall be deleted and the same hereby is deleted from this unit.

(2) The lands covered by said Avalon Unit Agreement shall be designated the Avalon Unit Area and shall comprise the following described acreage in Lea County, New Mexico:

Tract 1:	SW/4 Sec 29, T20S, R28E
Tract 2:	Sec 31, T20S, R28E
	Lot 4(NW/4NW/4) Sec 4 T21S, R27E
	Lots 1&2 (N/2NE/4) Sec 5 T21S, R27E
Tract 3-A:	Lot 1 (NW/4NW/4) Sec 30, T20S, R28E
Tract 3-B:	Lot 2 (SW/4NW/4) Sec 30, T20S, R28E
Tract 3-C:	NE/4NW/4 Sec 30, T20S, R28E
Tract 3-D:	SE/4NW/4 Sec 30, T20S, R28E
Tract 3-E:	SW/4NE/4 Sec 30, T20S, R28E
Tract 4-A:	NW/4SE/4 Sec 30, T20S, R28E
Tract 4-B:	NE/4SE/4 Sec 30, T20S, R28E
Tract 5-A:	Lot 3 (NW/4SW/4) Sec 30, T20S, R28E
Tract 5-B:	Lot 4 (SW/4SW/4) Sec 30, T20S, R28E
Tract 5-C:	NE/4SW/4 Sec 30, T20S, R28E
Tract 5-D:	SE/4SW/4 Sec 30, T20S, R28E
Tract 5-E:	SW/4SE/4 Sec 30, T20S, R28E
Tract 5-F:	SE/4SE/4 Sec 30, T20S, R28E
Tract 6:	[deleted]
Tract 7:	E/2NE/4 Sec 36, T20S, R27E
Tract 8:	E/2SE/4 Sec 36, T20S, R27E
Tract 9:	Lots 1 & 2 (N/2NE/4) Sec 6, T21S, R27E
Tract 10:	W/2W/2, NE/4NW/4, SE/4SW/4 Sec 32, T20S, R28E
Tract 11:	SE/4NW/4 & NE/4SW/4 Sec 32, T20S, R28E
Tract 12:	E/2SE/4, SW/4NW/4 Sec 32, T20S, R28E

upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable;

- e) a provision designating the Unit Operator and providing for supervision and conduct of the unit operations, including the selection, removal or substitution of an operator from among the working interest owners to conduct the unit operations;
- f) a provision for a voting procedure for decisions on matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to his unit participation; and,
- g) the time when the unit operations shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination.

(36) Section 70-7-7.F. N.M.S.A. of said "Statutory Unitization Act" provides that any working interest owner who has not agreed in writing to participate in a unit could have relinquished to the Unit Operator all of its operating rights and working interest in and to the unit until his share of the costs has been repaid plus an additional 200 percent thereof as a non-consent penalty.

(37) At the time of the hearing, the applicant requested that no 200% penalty be assessed these working interest owners in said unit who have not committed their interests.

(38) The statutory unitization of the Avalon Unit Area is in conformity with the above findings, and will prevent waste and protect correlative rights of all interest owners within the proposed unit area, and should be approved. (3) The vertical limits of said unit area shall comprise that interval which includes the "Upper Cherry Canyon Reservoir" ("UCC") and the "Lower Cherry Canyon/Upper Brushy Canyon Reservoir" ("LCC-UBC") and extends from an upper limit between 100 feet above the base of the Goat Seep Reef to the top of the Bone Springs formation to a lower limit of the base of the Brushy Canyon formation which are defined at all points under the unit area correlative to a depth of 2,378 feet and 4,880 feet, respectively, as identified on the Compensated Neuron/Litho density/Gamma Ray Log dated September 14, 1990 for the Exxon Yates "C" Federal Well No. 36, located in Unit A of Section 31, T20S, R28E, NMPM, Eddy County, New Mexico.

(4) The applicant shall institute a waterflood project for the secondary recovery of oil and associated gas, condensate and all associated liquefiable hydrocarbons within and produced from the unit area, and said waterflood project is the subject of Division Case No. 11194.

(5) The applicant's request for approval of a tertiary recovery ("CO2") project is premature and is hereby **denied**.

(6) The Avalon Unit Agreement and the Avalon Unit Operating Agreement, which were submitted to the Division at the time of the hearing as Exhibit Nos. ____ and ___, respectively, are hereby incorporated by reference into this order.

(7) The Avalon Unit Agreement and the Avalon Unit Operating Agreement provide for unitization and unit operation of a portion of the Delaware formation upon terms and conditions that are fair, reasonable and equitable **PROVIDED** the following amendments are made:

That Premier Tract No 6 shall be deleted

(8) This order shall not become effective unless and until seventy-five percent of the working interest and seventy-five percent of the royalty interest owners in the Unit Area have approved the plan for unit operations as required by Section 70-7-8, N.M.S.A., 1978 Compilation.

(9) If the persons owning the required percentage of interest in the Unit Area as set out in Section 70-7-8, N.M.S.A., 1978 Compilation, do not approve the plan for unit operations within a period of six months from the date of entry of this order, this order shall cease to be of further force and effect and shall be revoked by the Division, unless the Division shall extend the time for ratification for good cause shown.

(10) When the persons owning the required percentage of interest in the Unit Area have approved the plan for unit operations, the interests of all persons in the Unit Area are unitized whether or not such persons have approved the plan or unitization in writing.

(11) Any working interest owner who has not agreed in writing to participate in the unit prior to the effective date of this order shall be deemed to have relinquished to the Unit Operator all of his operating rights and working interest in and to the unit until his share of the costs has been repaid. Such repayment shall not include a non-consent penalty (Section 70-7-7.F N.M.S.A. 1978)

(12) The applicant as Unit Operator shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the area.

(13) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE in Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

WILLIAM J. LEMAY Director

SEAL

HINKLE, COX. EATON. COFFIELD & HENSLEY P.L.L.C.*

ATTORNEYS AT LAW

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July 20, 1995

JEFFREY S. BAIRD* THOMAS E. HOOD** REBECCA NICHOLS JOHNSON STANLEY K KOTOVSKY, JR H. R. THOMAS H. R. THOMAS ELLEN S. CASEY MARGARET CARTER LUDEWIG S. BARRY PAISNER MARTIN MEYERS WATT L. BROOKS^{#1} DAVID M. RUSSELL^{#1} ANDREW L. CLOUTER ANDREW J. CLOUTIER STEPHANIE LANDRY STEPHANIE LANDRY KIRT E MOELLING DIANE FISHER JULIE P. NEERKEN WILLIAM P. SLATTERY CHRISTOPHER M MOODY

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Oil Conservation Division

Case Nos. 11297 and 11298 (Exxon-Avalon Delaware Unit) Re:

Dear Mr. Stogner:

Michael E. Stogner

State of New Mexico

Oil Conservation Division

2040 So. Pacheco Street Santa Fe, New Mexico 87505

At the hearing in the above cases, as Exhibits 8 and 9, Exxon presented proof of mailing to all interest owners. As of the date of the hearing, however, the certified return receipts regarding notice to Charles Cline Moore had not been returned. Attached to this letter as Exhibits A and B are copies of the returned envelopes mailed to Mr. Moore. Exhibit A is for Case No. 11297, and Exhibit B is for Case No. 11298. Please note than on Exhibit B the return receipt was removed but never returned to Exxon.

We ask that this letter be placed in the case file as proof of notice. Thank you.

Very truly yours,

Hinkle, Cox, Eaton, Coffield Hensley, P.L.L.C., Ltd., Co.

ours may James Bruce

Enclosures W. Thomas Kellahin (w/encl.) cc: William F. Carr (w/encl.) Joe B. Thomas (w/encl.)

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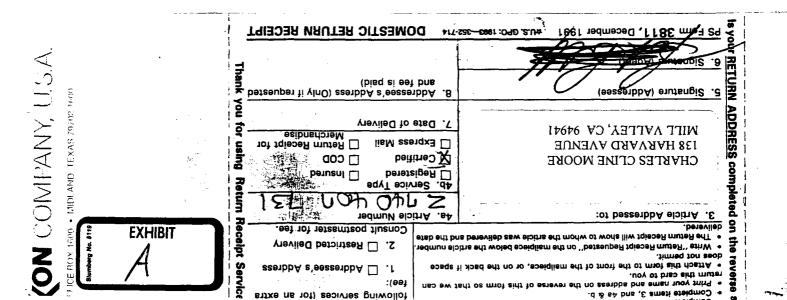


Dona

CHARLES CLINE MOORE 138 HARVARD AVENUE MILL VALLEY, CA 94941

TE7 704 045 N

MAII



HINKLE, COX, EATON, COFFIELD & HENSLEY P.L.L.C.[‡]

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OF COUNSEL O M. CALHOUN* JOE W. WOOD R:CHARD L CAZZELL** RAY W. RICHARDS** L. A WHITE**

> AUSTIN AFFILIATION HOFFMAN & STEPHENS, PC KENNETH R. HOFFMAN* TOM D. STEPHENS* RONALD C. SCHULTZ, JR.* JOSÉ CANO*

May 24, 1995

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JAMES A. GILLESPIE MARGARET R. MCNETT LISA K. SMITH* NORMAN D. EWART DARREN T. GROCE* MOLLY MCINTOSH MARCIA B. LINCOLN SCOTT A. SHUART* PAUL G. NASON R. TREY* ARVIZU, III AMY C. WRIGHT* BRADLEY G. BISHOP* KAROLYN KING NELSON ELLEN T. LOUDERBOUGH BARBARA GREGG GLENN JAMES H. WOOD*

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MAY 2 4 1995

Oil Conservation Division

HAND DELIVERED

Mr. William LeMay Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87501

Re: Case Nos. 11,297 and 11,298 (Applications of Exxon Corporation for Unitization and a Waterflood)

Dear Mr. LeMay:

At the request of Premier Oil & Gas, Exxon has consented to a two week continuance of the above cases. Therefore, Exxon requests that the above cases be continued to the June 15, 1995 Examiner Hearing.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY, P.L.L.C., Ltd., Co.

ames Bruce

cc: William F. Carr, Esq. W. Thomas Kellahin, Esq.

JB/sp

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HINKLE, COX, EATON, COFFIELD & HENSLEY P.L.L.C.[‡]

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September 5, 1995

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HAND-DELIVERY

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87501

Re: Avalon (Delaware) Unit

Dear Mr. Stogner:

Enclosed, as you requested, is a disk with Exxon's proposed injection order on it (WordPerfect 5.1).

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY, P.L.L.C., Ltd., Co.

nu Buer James Bruce

Enclosure

JGB/sp stgnexxn.ltr

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June 26, 1995 M.5.

JEFFREY S BAIRD THOMAS E, HOODI REBECCA NICHOLS JOHASON STALEY H, KOTUVSKI, JAT H, R. THOMAS' ELLEN S CASEN NARTIN MEYERS' WATL BROOKS' DAV D M. RUSSELL' ANDREW J CLOUTER STEPHANIE LANDRY NIRT E MOELLING' JAMES & GILLESPIE! MARGARET R MENETT LISA X SMITH DARREN T. GROCE MOLLY MENTOSH MARIEN B. LINCOLN SCOTT A. SMUART PAUL G NASON R. TREY ARVIZU, III ARVC WRIGHT AMY C WRIGHT NIRT E MOELLING DIANE FISHER JULIE P. NEERKEN WILLAM P. SLATTERY CHRISTOPHER M. MOODY BANDLET & DISDOF KAROLYN KING NELSON" ELLEN T. LOUDERBOUGH BARBARA GREGG GLENN JAMES N. WOOD

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VIA FAX (505) 827-8177

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Mr. Michael E. Stogner Oil Conservation Division Santa Fe, New Mexico

> Re: Case Nos. 11297 and 11298, the applications of Exxon Corporation for statutory unitization and approval of a waterflood project, Eddy County, New Mexico

Dear Mr. Stogner:

Please let this letter serve as a pre-hearing statement:

1. Parties: The parties involved in this case are as follows:

Party	Attorney
Exxon Corporation	James Bruce
Yates Petroleum Corporation	William F. Carr
Premier Oil & Gas, Inc.	W. Thomas Kellahin

2. Statement of the Case: In Case No. 11298 Exxon seeks to statutorily unitize 2140.14 acres of federal, state, and fee land in the designated and undesignated Avalon-Delaware Pool. In Case No. 11297, Exxon seeks (a) approval of a waterflood for the unit, (b) qualification of the project for the recovered oil rate, and (c) 18

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P. 03

Oil Conservation Division Page 2

unorthodox well locations.

Tract participation under the Unit Agreement is based on:

25% remaining primary reserves 50% secondary reserves 25% tertiary reserves¹

Exxon asserts that the participation formula is fair and equitable. It is supported by over 95% of working interest owners in the unit. The Commissioner of Public Lands and the Bureau of Land Management, who together own in excess of 90% of the royalty interest in the unit, have preliminarily approved the unit.

Apparently Premier asserts that its tract contains substantial primary and secondary reserves for which it is not given credit in the technical report, and wants either (a) a higher participation figure for its tract, or (b) to have its tract deleted from the unit.

3. <u>Witnesses</u>: Exxon plans on presenting the following witnesses:

Witness	<u>Time</u>	<u>Exhibits</u>
Joe B. Thomas (landman)	25 minutes	Approx. 10
Dave Cantrell (geologist)	40 minutes	Approx. 10
Gil Beuhler (engineer)	45 minutes	Approx. 15

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY, P.L.L.C.

formes ames Bruce

¹ A potential for CO_2 flooding/exists.

Oil Conservation Division Page 3 Jbdk xc: William F. Carr FAX (505) 983-6043 W. Thomas Kellahin FAX (505) 982-2047 449

HINKLE, COX, EATON, COFFIELD & HENSLEY

Attorneys at Law

2800 Claydesta Center P.O. Box 3580 Midland, Texas

Fax (915) 683-6518

FAX COVER SHEET

PLEASE DELIVER THE FOLLOWING PAGE(S) TO:
NAME: M.E. Stagner COMPANY & LOCATION: Oil Conservation
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TOTAL NUMBER OF PAGES:INCLUDING COVER SHEET.
FROM: Jun Druce
DATE: $\frac{4}{2}$
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AUSTIN AFFILIATION HOFFMAN & STEPHENS, F KENNETH R HOFFMAN TOM D. STEPHENS* PC July JEFANO 1995 JEFFREY S. BAIRD* THOMAS E HOOD** REBECCA NICHOLS JOHNSON JAMES A. GILLESPIE MARGARET R. MCNETT HARGARET R. MCNETT LISA K. SMITH* NORMAN D. EWART DAAREN T. GROCE* MOLLY MCINTOSH MARCIA B. LINCOLN SCOTT A. SHUART* PAUL G. NASON R. TREY* ARVIZU. III AMY C. WRIGHT* REBECA NICHOLS JOHNSON STANLEY K. KOTOVSKY, JR. H. R. THOMAS ELLEN S. CASEY MARGARET CAFTER LUDEWIG S. BARRY PAISNER MARTIN MEYERS WATT L. BROOKSH DAVID M. RUSSELL ANDREW J. CLOLITER AMY C. WRIGHT* BRADLEY G. BISHOP ANDREW J CLOUTIER STEPHANIE LANDRY KAROLYN KING NELSON ELLEN T. LOUDERBOUGH BARBARA GREGG GLENN KIRT E MOELLING DIANE FISHER ULIE P NEERKEN WILLIAM P. SLATTERY CHRISTOPHER M. MOODY JAMES H. WOOD

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HAND-DELIVERY

Michael E. Stogner Oil Conservation Division 2040 South Pacheco Street Santa Fe, New Mexico 87505

Case No. 11,298, Exxon Application for Statutory Unitization Re: of the Avalon-Delaware Pool.

Dear Mr. Stogner:

Enclosed, as you requested at the hearing, are a hard copy and a disk of a proposed Order submitted by Exxon Corporation in Case No. 11,298. Yates Petroleum Corporation has reviewed the proposed Order and joins in this submission.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY, P.L.L.C., Ltd., Co.

Fuer anist ames Brúce

ß ß OIL CONSERVATION DIVIS!ON

Enclosures

cc: William Carr, Esq. JB/sp

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DRAFT

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

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CASE NO. 11,298

APPLICATION OF EXXON CORPORATION FOR STATUTORY UNITIZATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION (Proposed by Exxon Corporation)

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 29, 1995 at Hobbs, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of July, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the time of the hearing, this case was consolidated with Division Case No. 11297 for the purposes of testimony.

(3) The applicant, Exxon Corporation, seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 70-7-1 through 70-7-21 NMSA (1978), for the purpose of establishing a secondary recovery project, of all mineral interests in the designated and undesignated Avalon-Delaware Pool, underlying its proposed Avalon (Delaware) Unit Area, comprising 2118.78 acres, more or less, of State, Federal, and fee lands in Eddy County, New Mexico, said unit to henceforth be known as the Avalon (Delaware) Unit Area; the applicant further seeks approval of the plan of unitization which includes the unit agreement and the unit operating agreement and which were submitted in evidence at the time of the hearing as applicant's Exhibit Nos. 2 and 3.

(4) The applicant proposes that said unit comprise the following described area in Eddy County, New Mexico:

Township 20 South, Range 27 East, NMPM

Section 25: E½E½ Section 36: E½E½

Township 20 South, Range 28 East, NMPM

Section 29: SW¼SW¼ Section 30: Lots 1-4, E½W½, SW¼NE¼, SE¼ Section 31: Lots 1-4, E½W½, E½ (All) Section 32: SW¼NE¼, W½, W½SE¼

Township 21 South, Range 27 East, NMPM

Section 4:	Lot 4
Section 5:	Lots 1 and 2
Section 6:	Lots 1 and 2

(5) The proposed Unit Area includes portions of the designated and undesignated Avalon-Delaware Pool.

(6) The proposed "unitized formation" is that interval underlying the Unit Area described as the Delaware Mountain Group, extending from 100 feet above the base of the Goat Seep Reef to the top of the Bone Spring formation and including, but not limited to, the Cherry Canyon and Brushy Canyon Formations, as identified by the Compensated Neutron/Lithodensity/Gamma Ray Log dated September 14, 1990 run in the Exxon Corporation Yates "C" Federal Well No. 36, located 1305 feet from the North and East lines of Section 31, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico, with the top of the unitized interval being found in said well at a depth of 2,378 feet below the surface (869 feet above sea level) and the base of the unitized interval being found at a depth of 4,880 feet below the surface (1,633 feet below sea level), or stratigraphic equivalents thereof.

(7) The proposed Unit Area contains twelve separate tracts of land, the working interests in which are owned by forty-eight different persons. The applicant, Exxon

Corporation ("Exxon"), operates five of the twelve tracts, five tracts are operated by Yates Petroleum Corporation ("Yates"), one tract is operated by Premier Oil & Gas, Inc. ("Premier"), and one tract is operated by MWJ Producing Company. There are twentyfour royalty and overriding royalty interest owners in the Unit Area.

(8) At the time of the hearing, the owners of approximately 97.5 percent (97.5%) of the working interest, and the owners of over 95.0 percent (95.0%) of the royalty and overriding royalty interest, had voluntarily joined the Unit. The 95% royalty owner approval includes the U.S. Bureau of Land Management, which has indicated its preliminary approval by designating the unit as logical for conducting secondary recovery operations, and the Commissioner of Public Lands, which has preliminarily approved the unit.

(9) The applicant has conducted negotiations with interest owners within the Unit Area for over four years. Therefore, the applicant has made a good faith effort to secure voluntary unitization within the above-described Unit Area.

(10) All interested parties who have not agreed to unitization were notified of the hearing by applicant. At the hearing in this matter, Yates entered its appearance and presented evidence in support of the application. Unit Petroleum Company and MWJ Producing Company made statements in support of the application. One working interest owner, Premier, entered an appearance and opposed the application, and requested that Tract 6 (operated by Premier) be deleted from the Unit Area.

(11) Exxon is the largest working interest owner in the proposed Unit Area with 80 percent (80%) of current production. A substantial majority of working interest owners, excluding Exxon, requested that Exxon prepare a Technical Report of the Avalon-Delaware Pool. Exxon prepared the Technical Report (Exxon Exhibit 10, Volumes I and II) at its own expense.

(12) The applicant proposes to institute a waterflood project for the secondary recovery of oil and associated gas, condensate, and all associated liquefiable hydrocarbons within and to be produced from the proposed Unit Area (being the subject of Division Case No. 11,297). The estimated reserves recoverable from the waterflood project are 8.2 million barrels of oil.

(13) The Unit also has potential as a tertiary (CO_2 injection) project. Evidence presented at the hearing shows that:

- (a) Estimated recoverable tertiary reserves are 39.9 million barrels of oil.
- (b) If such a CO_2 flood is instituted in the proposed Unit Area, it will likely be the first CO_2 project in the area and could facilitate other CO_2 floods.
- (c) The waterflood project will provide additional data which may justify additional secondary recovery waterflood projects in other Delaware pools in New Mexico.
- (d) Institution of the CO_2 flood depends upon waterflood performance, results of future CO_2 injectivity tests, and perception of future oil prices. A minimum of 3 years of water injection would be required to repressure the reservoir prior to commencing a CO_2 injection program.

(14) The primary issue in dispute between Premier and other working interest owners is the geologic pick of the base of the Upper Cherry Canyon reservoir in Premier's FV3 Well, located in the SE¼SE¼ of Section 25, Township 20 South, Range 27 East, NMPM, and the effect of that pick on recoverable reserves in Tract 6. Exxon's pick, supported by other interest owners, is 2768 feet subsurface, while Premier's pick is 2852 feet subsurface.

(15) **Exxon presented evidence that**:

- (a) Exxon examined 71 well logs, 4 cores, 13 dipmeters, 35 mud logs, all production data from the Pool, and tied-in to the regional stratigraphic framework in order to determine its geologic picks.
- (b) Exxon's geologic model was calibrated by actual production and verified by a reservoir simulation program.
- (c) Exxon's pick of the base of the Upper Cherry reservoir is consistent with geologic markers found throughout the Avalon-Delaware Pool (Exxon Exhibits 16, 41, and 42).

- (d) Premier presented its geologic interpretation to other Avalon Unit Area working interest owners in 1994, but those working interest owners agreed with Exxon's interpretation.
- (e) The waterflood project area includes approximately 1100 acres in the center of the Unit Area. The outer or "fringe" tracts were included in the Unit Area based upon their CO_2 flood potential. The "fringe" tracts will participate in production from inception of the Unit.
- (f) The main productive area in the Pool is in Unit Tracts 2, 3, 5, and 10. Adjoining, or "fringe" tracts (Unit Tracts 1, 4, 6, 7, 8, 9, 11, and 12) have little or no primary or secondary production potential. (See Exxon Exhibit 22).
- (g) Premier's FV3 Well produced 5100 barrels of oil prior to ceasing production. The nearest analogous well to the FV3 Well, the Yates Citadel ZG1 Well, located in the NE¼NE¼ of Section 36, Township 20 South, Range 27 East, immediately to the South of the FV3 Well (Unit Tract 7), is expected to produce 6000 barrels of primary oil.
- (h) The Technical Report and the Unit Agreement attribute no remaining primary or waterflood reserves to Tract 6, operated by Premier. Primary-production data and geologic markers in the Yates Citadel ZG1-Well, and other offset wells, support the Technical Report's estimate of primary and waterflood reserves in Unit Tract 6.
- (i) Premier will own 1% of the Avalon (Delaware) Unit despite the fact that Premier's Tract 6 has produced only 0.1% of the cumulative oil to date. In addition, Premier is likely to receive positive cash flow from the first day of unit operations because of investment adjustments.
 - (j) It would be difficult, if Tract 6 were deleted from the Unit, to waterflood or CO_2 flood Tract 6 separately from the Unit. Furthermore, if Tract 6 is not part of the Unit, production of CO_2^- laden gas from Tract 6 would present operational difficulties.

(16) Yates presented evidence that:

- (a) Deleting Tract 6 from the Unit would substantially reduce recoverable tertiary reserves under Tracts 3, 5, and 7, which are operated by Yates and adjacent to Tract 6.
- (b) Negotiations over the equity formula in the Unit Agreement lasted approximately one year. Deleting Tract 6 from the Unit Area would require additional negotiations among working interest owners, revision of Unit documents, and other delays. Yates witness testified that if Tract 6 is deleted, unitization may never occur.
- (c) Yates' geologist had done independent work which confirmed Exxon's geologic interpretation in the area contested by Premier.

(17) Premier presented evidence that:

- (a) Tract 6 has substantial primary and waterflood reserves, but presented no evidence on the amount thereof, and Premier has never developed or produced such reserves. The only Delaware completion on its tract, the FV3 Well, produced only 5100 barrels of oil. (The analogous offset well, the Yates Citadel ZG1 Well, will produce only an estimated 6000 barrels of oil.)
- (b) Premier was advised in 1993 by its engineering consultant to develop its acreage in order to substantiate its claims.
- (c) Premier has never calculated primary reserves under Tract 6 or made any payout calculations for a well thereon.
- (d) Exxon used incorrect well locations for the Yates EP2 and EP3 Wells in the S½SW¼ of Section 19, Township 20 South, Range 28 East, and thus its geologic maps were wrong. (However, an aerial photo submitted by Exxon shows that Exxon's locations were correct and that the locations used by Premier were wrong. (Exxon Exhibit 40.))

- (e) Premier's FV3 Well was drilled and completed by Gulf in 1984, and purchased by Premier in 1990. The interval below the base of the Upper Cherry Canyon reservoir, claimed by Premier to be productive in the FV3 Well, was never perforated by either Gulf or Premier.
- (f) Premier has never drilled or recompleted a Delaware well on its FV lease, which covers 480 acres of land in Section 25, Township 20 South, Range 27 East, although Premier asserted in 1990 (Division Case No. 10145) that it would recomplete a well or wells in 1991.
- (g) Premier's engineering consultant stated that Tract 6 was given credit for waterflood "target" reserves (Technical Report Exhibit E-6), which "disappear" in the reserves for equity purposes (Exhibit D of the Unit Agreement, and Technical Report Exhibit G-24 submitted as Yates Exhibit 6, at Tab 2G). However, Premier's engineering consultant admitted he did not realize that <u>"target" oil-inplace</u> was a volumetric value used as a starting point in calculating recoverable reserves, on which equity is based. In order to obtain recoverable reserves, the "target oil-in-place" must be reduced by factors such as history matching, well-to-well continuity, sweep efficiency, floodable oil, pattern effects, and development costs. This was done on all tracts, including Premier's Tract 6.
- (18) Premier did not present any new tract participation numbers.
- (19) Based upon the foregoing, the Division concludes that:
 - (a) Based on the information and data available, Exxon's Technical Report and reserve estimates are fair and reasonable. Premier's claims are speculative and unsubstantiated; and
 - (b) Tract 6 is State of New Mexico land. Deleting Tract 6 from the Unit will adversely affect State interests in Tract 6 and in offsetting State land (Tracts 3 and 5). Deleting Tract 6 from the Unit will result in the waste of tertiary reserves under Tracts 3, 5, and 6.

(20) The proposed unitized method of operation as applied to the Avalon (Delaware) Unit is feasible and will result with reasonable probability in the increased

recovery of substantially more oil and gas from the unitized portion of the Avalon-Delaware Pool than would otherwise be recovered without unitization.

(21) Such unitization and adoption of applicant's proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Avalon (Delaware) Unit Area.

(22) The granting of the application in this case will have no adverse effect upon the Avalon-Delaware Pool.

(23) The estimated additional costs of such operations will not exceed the estimated value of the additional oil so recovered plus a reasonable profit.

(24) The applicant's Exhibit Nos. 2 and 3 in this case, being the Unit Agreement and the Unit Operating Agreement, should be incorporated by reference into this order.

(25) The unitized management, operation and further development of the Avalon (Delaware) Unit Area, as proposed, is reasonably necessary to effectively increase the ultimate recovery of oil and gas from the unitized portion of the Avalon-Delaware Pool.

(26) The Avalon (Delaware) Unit Agreement and the Avalon (Delaware) Unit Operating Agreement provide for unitization and unit operation of the Avalon (Delaware) Unit Area upon terms and conditions that are fair, reasonable and equitable, and include:

- (a) a participation formula which will result in fair, reasonable and equitable allocation to the separately owned tracts of the Unit Area of all oil and gas that is produced from the Unit Area and which is saved, being the production that is (i) not used in the conduct of unit operations, or (ii) unavoidably lost;
- (b) a provision for the credits and charges to be made in the adjustment among the owners in the Unit Area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operators;
- (c) a provision governing how the costs of unit operations including capital investments shall be determined and charged to the separately-owned tracts and how said costs shall be paid, including

> a provision providing when, how and by whom such costs shall be charged to each owner, or the interest of such owner, and how his interest may be sold and the proceeds applied to the payment of his costs;

- (d) a provision for carrying any working interest owner on a limited or carried basis payable out of production, upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable;
- (e) a provision designating the Unit Operator and providing for supervision and conduct of the unit operations, including the selection, removal and substitution of an operator from among the working interest owners to conduct the unit operations;
- (f) a provision for a voting procedure for decisions on matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to his unit participation; and
- (g) a provision specifying the time when the unit operation shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination.

(27) The statutory unitization of the Avalon (Delaware) Unit Area is in conformity with the above findings, and will prevent waste and protect correlative rights of all interest owners within the proposed Unit Area, and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Exxon Corporation for the Avalon (Delaware) Unit, covering 2118.78 acres, more or less, of State, Federal and fee lands in the Avalon-Delaware Pool, Eddy County, New Mexico, is hereby approved for statutory unitization pursuant to the "Statutory Unitization Act," Sections 70-7-1 through 70-7-21 NMSA (1978).

(2) The Avalon (Delaware) Unit Agreement, as amended, and the Avalon (Delaware) Unit Operating Agreement, which were submitted to the Division at the time of the hearing as Exhibits 2 and 3, are hereby incorporated by reference into this order.

(3) The lands herein designated the Avalon (Delaware) Unit Area shall comprise the following described acreage in Eddy County, New Mexico:

Township 20 South, Range 27 East, NMPM

Section 25: E½E½ Section 36: E½E½

Township 20 South, Range 28 East, NMPM

Section 29: SW¼SW¼ Section 30: Lots 1-4, E½W½, SW¼NE¼, SE¼ Section 31: Lots 1-4, E½W½, E½ (All) Section 32: SW¼NE¼, W½, W½SE¼

Township 21 South, Range 27 East, NMPM

Section 4: Lot 4 Section 5: Lots 1 and 2 Section 6: Lots 1 and 2

(4) The vertical limits of the unitized area is that interval underlying the Unit Area described as the Delaware Mountain Group, extending from 100 feet above the base of the Goat Seep Reef to the top of the Bone Spring formation and including, but not limited to, the Cherry Canyon and Brushy Canyon Formations, as identified on the Compensated Neutron/Lithodensity/Gamma Ray Log dated September 14, 1990 run in the Exxon Corporation Yates "C" Federal Well No. 36, located 1305 feet from the North and East lines of Section 31, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico, with the top of the unitized interval being found in said well at a depth of 2,378 feet below the surface (869 feet above sea level) and the base of the unitized interval being found at a depth of 4,880 feet below the surface (1,633 feet below sea level), or stratigraphic equivalents thereof.

(5) The applicant shall have the right to institute a waterflood project for the secondary recovery of oil and associated gas, condensate and all associated liquefiable hydrocarbons within and produced from the Unit Area and said waterflood project which is the subject of Division Case No. 11,297.

(6) Since the persons owning the required statutory minimum percentage of interest in the Unit Area have approved, ratified, or indicated their preliminary approval of the Unit Agreement and the Unit Operating Agreement, the interests of all persons within the Unit Area are hereby unitized whether or not such persons have approved the Unit Agreement or the Unit Operating Agreement in writing.

(7) The applicant, hereby designated as Unit Operator, shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the Unit Area.

(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

WILLIAM J. LEMAY Director

SEAL

September 19, 1995

HINKLE, COX, EATON, COFFIELD & HENSLEYAttorneys at LawP. O. Box 2068Santa Fe, New Mexico 87501

ATTN: Jim Bruce

RE: CASE NO. 11297 and CASE NO. 11298 Order No. R-10460

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally E. Martinez Administrative Secretary

cc: BLM - Carlsbad Pete Martinez - SLO Taxation & Revenue Dept. Tom Kellahin Bill Carr

> OFFICE OF THE SECRETARY - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5950 ADMINISTRATIVE SERVICES DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5925 ENERCY CONSERVATION AND MANAGEMENT DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5900 FORESTRY AND RESOURCES CONSERVATION DIVISION - P. O. BOX 948 - SANTA FE, NM 87505-6429 - (505) 827-5830 MINING AND MINERALS DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5830 OIL CONSERVATION DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5830 OIL CONSERVATION DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5830 OIL CONSERVATION DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-78131 PARK AND RECREATION DIVISION - P. O. BOX 1147 - SANTA FE, NM 87505-4174 - (505) 827-7465



United States Department of the Interior

BUREAU OF LAND MANAGEMENT Roswell District Office 1717 West Second Street Roswell, New Mexico 88201-2019

IN REPLY REFER TO

NMNM94450X 3180 (06200)

MAY 1 7 1995

Exxon Company, U.S.A. Attention: Mr. Joe B. Thomas P. O. Box 1600 Midland, TX 79702-1600

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Gentlemen:

Your application of May 2, 1995, filed with the BLM requests the designation of the Avalon (Delaware) Unit area, embracing 2118.78 acres, more or less, Eddy, County, New Mexico, as logically subject to secondary operations under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit A, Exxon Company, U.S.A., Avalon (Delaware) Unit, Eddy County, New Mexico, is hereby designated as a logical unit area for the purpose of conducting secondary recovery operations and has been assigned No. NMNM94450X. This designation is valid for a period of one year from the date of this letter.

Waterflooding will be limited to that interval underlying the Unit Area described as, the Delaware Mountain Group, extending from 100 feet above the base of the Goat Seep Reef to the top of the Bone Spring formation and including, but not limited to, the Cherry Canyon and Brushy Canyon formations, as identified by the Compensated Neutron/Lithodensity/Gamma Ray log dated September 14, 1990, run in the Exxon Yates "C" Federal #36, located in the Center of the NW¼ section 31, T. 20 S., R. 28 E., Eddy County, New Mexico, with the top of the Unitized Interval being found in said well at a depth of 2,378 feet below the surface (869 feet above sea level) and the base of the Unitized Interval being found at a depth of 4,880 feet below the surface (1,633 feet below sea level) or stratigraphic equivalents, thereof.

Your basis for allocation of unitized substances and your proposed use of the Form of Agreement are acceptable. Exhibits A and B need to be corrected to show the acreage compiled from the official records of the Bureau of Land Management. The corrections to be made are shown in red on the enclosed Exhibits A and B.

If conditions are such that modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area. When the executed agreement is transmitted to the BLM for final approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form. You will also need to submit a listing of current well names and proposed unit well name changes.

Inasmuch as this unit agreement involves State and Fee land, we are sending a copy of the letter to the Commissioner of Public Lands and the NMOCD. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the state.

Sincerely, (Orig Sdg) Tony L. Ferguson

Tony L. Ferguson Assistant District Manager, Minerals Support Team

Enclosures

cc: Commissioner of Public Lands, Santa Fe NMOCD, Santa Fe



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195 MARTIN MA 8 52

State of New Mexico Commissioner of Public Lands

RAY POWELL, M.S., D.V.M. COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148 SANTA FE, NEW MEXICO 87504-1148

May 15, 1995

Exxon Company USA P.O. Box 1600 Midland, Texas 79702-1600

Attention: Mr. Joe Thomas

Re: Request for Preliminary Approval Avalon Delaware Unit Eddy County, New Mexico

Dear Mr. Thomas:

This office has reviewed the unexecuted copy of the unit agreement for the proposed Avalon Delaware Unit, Eddy County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases until final approval and an effective date are given.

When submitting your agreement for final approval, please submit the following:

- 1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
- 2. Two copies of the Unit Agreement.
- 3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged before a notary. One set of ratifications must contain original signatures.
- 4. Initial Plan of Operation.
- 5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
- 6. A copy of the Unit Operating Agreement.

(505) 827-5760 FAX (505) 827-5766 Exxon Company USA Page 2 May 11, 1995

- 7. Per your telephone conversation with Pete Martinez of this office, please revise Exhibit "A" & "B" to coincide with the BLM's survey plats. The following unit acreage should be changed: Federal Acreage, State Acreage, Fee Acreage and Total Acreage.
- 8. In Unit Agreement Page 3, Section 2(a), the acreage should be changed to 2,118.78.
- 9. Please date the unit agreement on Page 1.
- 10. A redesignation of all well names and numbers. The list should include the OCD property name, property number, pool name, pool code and API number.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M. COMMISSIONER OF PUBLIC LANDS

Am Tailor BY:

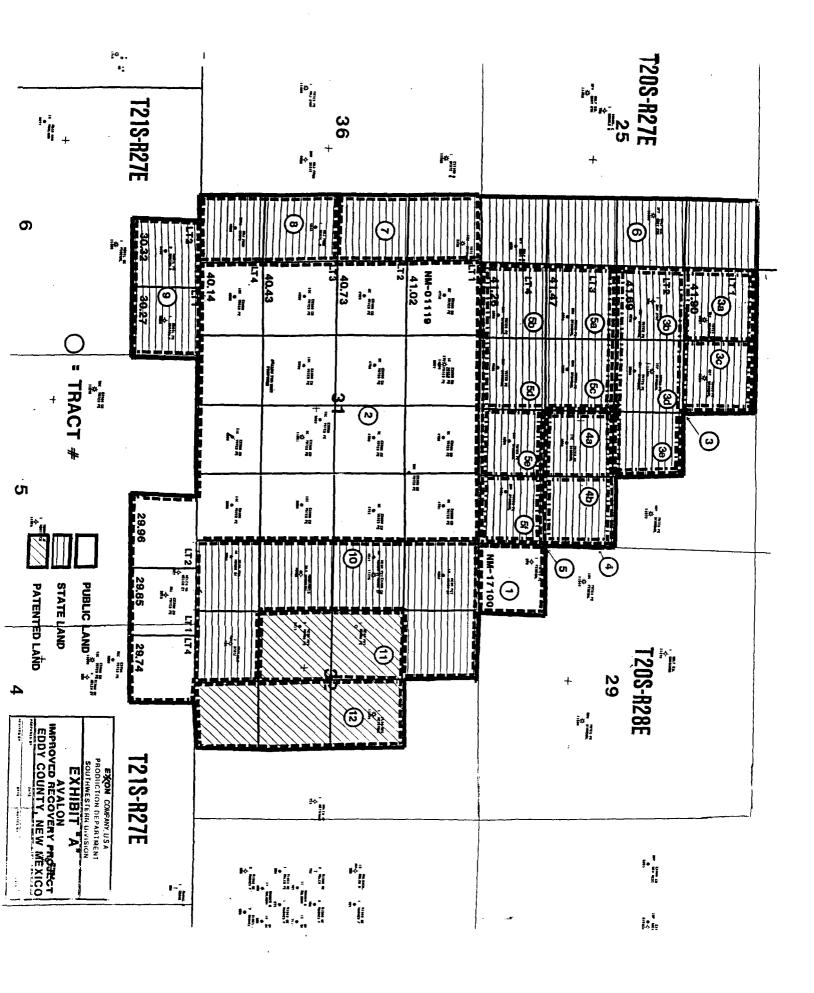
JAMI BAILEY, Deputy Director Oil/Gas and Minerals Division (505) 827-5745

RP/JB/cpm Enclosure cc: Reader File BLM-Roswell--Attention: Mr. Armando Lopez OCD-Santa Fe--Attention: Mr. Roy Johnson

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Total State Acreage:	7205-R28E 240 Section 32: N/2NW, SWNW, W/2SW, SESW	7215-R27E Section 6: Lots 1 & 2	T20S-R27E Section 36: E/2SE (GW "A" State #1)	1205-R27E Section 36: E/2NE (Citdel "ZG" State # 1)	t DESCRIPTION OF LAND	· · · · · · · · · · · · · · · · · · ·
1146.91 or 54.13%	240.00 L-324-2 NNV, HBP	60.59 K-4097-1 HBP	80.00 L-4861 HBP	80.00 K-6261 2 HBP	NUMBER SERIAL NUMBER OF AND EXPIRATION ACRES DATE OF LEASE	
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RECAPITULATION: TOTAL FEDERAL ACREAGE TOTAL STATE ACREAGE TOTAL FEE ACREAGE TOTAL UNIT ACREAGE	Total Fee Acreage:		T2OS-R28E Section 32: SWNE, W/2SE	T20S-R28E Section 32: SENW (below 1,000 feet); NESW	DESCRIPTION OF LAND	
771.87 or 1146.91 or 200.00 ar 2118.78 ar	200.00		120.0		NUMBEF OF ACRES	
771.87 or 36.43% 1146.91 or 54.13% 200.00 or 9.44% 2118.78 or 100.00%	200.00 or 9.44%	10/30/72 FEE-HBP Lease dated 10/31/71	120.00 FEE-HBP Lease dated Davis Bros., L.L.C 08/03/73 Royalty 1/4 (NationsBank of Texas, N. A. Tr of Sabire Royalty Tri) Royalty 3/16 FEE-HBP Lease dated Singer Bros.	80.00 FEE-HBP Lease dated KEYSTONE CORP ET AL 07/15/54 (Davis Bros., L.L.C. 6. (Sabine Royalty Tr 3. (Singer Brothers 3. Total Royalty 12.1	NUMBER SERIAL NUMBER OF AND EXPIRATION ACRES DATE OF LEASE	
I		Royalty 3/16		d KEYSTONE CORP E Royalty 1/8 (Davis Bros., L.L.C. (Sabine Royalty Tr (Singer Brothets Total Royalty	BASIC ROYALTY & PERCENTAGE	
		Charles Cline Moore TH Oil Corporation Whiting Petroleum Corporation Typerary Oil & Gas Corporation Yates Drilling Company Los Chicos Myco Industries, Inc. John A. Yates Tract Total	50.00% Exxon Corporation Oxy USA Inc. 25.00% Seventy-Seven Corporation Unit Petroleum William B. Oliver Trust Agnes Cluthe Oliver Trust Agnes Cluthe Oliver Trust 25.00 Estate of Jack O. McCell	T AL Exxon Corporation-100% 6.25%) 3.125%) 3.125%) 12.500%	LESSEE OF RECORD & PERCENTAGE	EXHIBIT "B" SCHEDULE OF OWNERSHIP SCHEDULE SHOWING ALL LANDS AND LEASES WITHIN THE AVALON (DELAWARE) UNIT EDDY COUNTY, NM
		0.029030 0.870900 1.223812 1.1.223812 4.166670 2.083330 4.166660 2.083340 2.083340	62.500000 15.000000 1.666680 4.895246 0.008970 0.008970 0.072580		õ	RSHIP VVARE) UNI M
		Mary L. Boling Total ORR	J Texas Commerce Bank, Trustee) of the Delta-Flag Rayalty Trust Robert L. Spears Mark D. Wilson Robert E. Boling Est Robert Michael Boling Per Rep } Janet Lynn Richardson Per Rep]		OVERRIDING ROYALTY	L.
		0.2500000 5.0351562	3.7500000 0.2851562 0.5000000 0.2500000		PERCENTAGE	
		,	Exxon Corporation Oxy USA inc. Seventy-Seven Corporation Unit Petroleum William B. Oliver Tr Agnes Cluthe Oliver Tr Estate of Jack O. McColl	Exxon Corporation	WORKING INTEREST	
		Tract Total			-	
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United States Department of the Interior

BUREAU OF LAND MANAGEMENT Roswell District Office 1717 West Second Street Roswell, New Mexico 88201-2019

6 1 3 W CONSERVATION DIVISION

IN REPLY REFER TO: NMNM94450X 3180 (06200)

SEP 2 8 1995

Exxon Company, U. S. A. Attention: Mr. Joe B. Thomas P. O. Box 1600 Midland, TX 79702-1600

Gentlemen:

One approved copy of the Avalon (Delaware) Unit Agreement, No. NMNM94450X, Eddy County, New Mexico, is enclosed. Such agreement is approved as of the date of approval and will become effective upon submittal of a Certificate of Effectiveness pursuant to Section 24 of the unit agreement.

Approval of the agreement does not warrant or certify that the operator thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

You are requested to furnish all interested principals with appropriate evidence of this approval.

Sincerely,

(Orig Sdg) Tony L. Ferguson

Tony L. Ferguson Assistant District Manager, Minerals Support Team

Enclosure

cc: Commissioner of Public Lands, Santa Fe MMS, Denver (3110) NMOCD, Santa Fe

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C., sec. 181, et seq., and delegated to the Authorized Officer of the Bureau of Land Management, under the authority of 43 CFR 3183, I do hereby:

- A. Approve the attached agreement for the development and operation of the Avalon (Delaware) unit area, State of New Mexico. This approval shall be invalid ab initio if the public interest requirement under \$3183.4 (b) of this title is not met.
- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.
- C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated: September 28, 1995

(Orig Sdg) fony L. Ferguson

(Authorized Officer) Bureau of Land Management

Contract No: <u>NMNM94450X</u>

11297/11298



TH CONSERT IN DIVISION RT - ACD

105 00 1 3 800 8 52

State of New Mexico Commissioner of Public Lands

(505) 827-5760 FAX (505) 827-5766

RAY POWELL, M.S., D.V.M. COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148 SANTA FE, NEW MEXICO 87504-1148

September 29, 1995

Hinkle, Cox, Eaton, Coffield & Hensley P. O. Box 2068 Santa Fe, New Mexico 87504-2068

Attn: Mr. James Bruce

Re: Final Approval Avalon (Delaware) Unit Agreement Eddy County, New Mexico

Dear Mr. Bruce:

This office is in receipt of your letter of September 26, 1995, requesting final approval of the Avalon (Delaware) Unit Agreement, Eddy County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Avalon (Delaware) Unit Agreement, Eddy County, New Mexico. Also, approved on this date, is your initial plan of operation for the above mentioned unit area.

Please submit a copy of the "Certificate of Effectiveness" Pursuant to Article 24 of the Avalon (Delaware) Unit Agreement.

Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Enclosed are Five (5) Certificates of Approval. Your filing fee in the amount of \$270.00 Dollars has been received.

Hinkle, Cox, Eaton, Coffield & Hensley September 29, 1995 Page 2

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M. COMMISSIONER OF PUBLIC LANDS

BV: OLLY tE Ś \mathcal{O}

LARRY KEHOE Director Oil, Gas and Minerals Division (505) 827-5744

RP/LK/pm Encls.

cc: Reader File BLM-Roswell Attn: Mr. Armando Lopez OCD-Santa Fe Attn: Mr. Roy Johnson TRD-Santa Fe Attn: Mr. Valdean Severson Commissioner's File

HINKLE, COX. EATON, COFFIELD & HENSLEY P.L.L.C.[‡]

PAUL W. EATON JNRAD E. COFFIELD ROLD L. HENSLEY, JR. STUART D. SHANOR ERIC D. LANPHERE C. D. MARTIN ROBERT P. TINNIN, JR. MARSHALL G. MARTIN MASTON C. COURTNEY** DON L. PATTERSON** DON L PATTERSON* DOUGLAS L LUNSFORD NICHOLAS J. NOEDING T. CALDER EZZELL JR WILLIAM B. BURFORD* RICHARD R. WILFONG* THOMAS J. MCBRIDE NANCY S. CUSACK

*REGISTERED IN NEW MEXICO AS HINKLE, COX, EATON. COFFIELD & HENSLEY, P.L.L.C., LTD., CO.

JEFFREY L. FORNACIARI JEFFREY D. HEWETT JAMES BRUCE JERRY F. SHACKELFORD⁶ JEFFREY W. HELLBERG⁶ WILLIAM F. COUNTISS⁴⁴ ALBERT L. PITTS THOMME M. MUSICO THOMAS M HNASKO THOMAS M. HNASKO JOHN C. CHAMBERS* GARY D. COMPTON* W. H. BRIAN, JR.** RUSSELL J. BAILEY* CHARLES R. WATSON, JR.** THOMAS D. HAINES, JR GREGORY J. NIBERT MARK C. DOW FRED W. SCHWENDIMANN JAMES M. HUDSON ATTORNEYS AT LAW

218 MONTEZUMA POST OFFICE BOX 2068

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LEWIS C. COX. JR. (1924-1993) CLARENCE E. HINKLE (1901-1985)

OF COUNSEL O. M CALHOUN* JOE W. WOOD RICHARD L. CAZZELL*1 RAY W RICHARDS*1 L. A. WHITE*1

AUSTIN AFFILIATION HOFFMAN & STEPHENS, PC KENNETH R. HÖFFMAN* TOM D. STEPHENS* RONALD C. SCHULTZ, JR.* JOSÉ CANO*

August 31, 1995

JEFFREY S. BAIRD* THOMAS E. HOOD* REBECCA NICHOLS: JOHNSON STANLEY K. KOTCVSKY, JR. H. R. THOMAS ELLEN S. CASEY MARGARET CARTER LUDEWIG S. BARRY PAISNER MARTIN MEYERS MARTIN MEYERS WYATT L BROOKS** DAVID M. RUSSELL** ANDREW J. CLOUTIER STEPHANIE LANDRY KIRT E. MOELLING** DIANE FISHER JULIE P. NEERKEN WILLIAM B ELATTERY WILLIAM P. SLATTERY CHRISTOPHER M. MOODY

JAMES A. GILLESPIE MARGARET R. MCNETT LISA K. SMITH* NORMAN D. EWART DARREN T. GROCE* MOLLY MCINTOSH MOLLY MCINTOSH MARCIA B. LINCOLN SCOTT A. SHUART-PAUL G. NASON R. 'TREY' ARVIZU, III ANY C. WRIGHT-BRADLEY G. BISHOP* KAROLYN KING NELSON ELLEN T LOUDERBOUGH BARBARA GREGG GLENN IAMFE H. WOOD? JAMES H. WOOD

*NOT LICENSED IN NEW MEXICO *FORMERLY COMPRISING THE FIRM OF CULTON, MORGAN, BRITAIN & WHITE, P.C.

HAND DELIVERED

Michael E. Stogner Oil Conservation Division 2040 So. Pacheco Street Santa Fe, New Mexico 87502 RECEIVED AUG 31 1995

Oil Conservation Division

Avalon (Delaware) Unit Re:

Dear Mr. Stogner:

Enclosed, in case it is of any assistance to you, is a proposed order regarding the injection application.

Very truly yours,

HINKLE, COX, EATON, COFFIELD HENSLEY, P.L.L.C., Ltd., Co.

suce

James Bruce

Enclosure cc: W. Thomas Kellahin, Esq. (w/encl.)

POST OFFICE BOX IO ROSWELL NEW MEXICO 88202 (505) 622-6510 FAX (505) 623-9332

POST OFFICE BOX 3580 MIDLAND, TEXAS 79702 (915) 683-4691 FAX (915) 683-6518

POST OFFICE BOX 9238 AMARILLO, TEXAS 79105 (806) 372-5569 FAX (806) 372-9761

DRAFT

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 11,297 ORDER NO. R-____

THE APPLICATION OF EXXON CORPORATION FOR A WATERFLOOD PROJECT, QUALIFICATION FOR THE RECOVERED OIL TAX RATE PURSUANT TO THE "NEW MEXICO ENHANCED OIL RECOVERY ACT" FOR SAID PROJECT, AND FOR 18 NON-STANDARD OIL WELL LOCATIONS, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

(Proposed by Exxon Corporation)

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 29, 1995, at Hobbs, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of August, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the time of the hearing this case was consolidated with Division Case No. 11298 for the purpose of testimony. Case No. 11298 is a companion case concerning statutory unitization.

(3) The applicant, Exxon Corporation, seeks authority to institute a waterflood project in its proposed Avalon (Delaware) Unit Area (Division Case No. 11298), Eddy County, New Mexico, by the injection of water into the Avalon-Delaware Pool, as found in that stratigraphic interval between 2378 feet to 4880 feet as identified by the Compensated Neutron/Lithodensity/Gamma Ray Log dated September 14, 1990 run in the Exxon Corporation Yates "C" Federal Well No. 36, located 1305 feet from the North and East lines (Unit A) of Section 31, Township 20 South, Range 28 East, NMPM, Eddy

County, New Mexico through nineteen certain wells as further described in Exhibit "A" attached hereto and made a part hereof.

(4) The applicant proposed that said unit comprise the following described area in Eddy County, New Mexico:

Township 20 South, Range 27 East, NMPM

Section 25: E¹/₂E¹/₂ Section 36: E¹/₂E¹/₂

Township 20 South, Range 28 East, NMPM

Section 29: SW¼SW¼ Section 30: Lots 1-4, E½W½, SW¼NE¼, SE¼ Section 31: Lots 1-4, E½W½, E½ (All) Section 32: SW¼NE¼, W½, W½SE¼

Township 21 South, Range 27 East, NMPM

Section 4:Lot 4Section 5:Lots 1 and 2Section 6:Lots 1 and 2

(5) The proposed Unit Area includes portions of the designated and undesignated Avalon-Delaware Pool.

(6) The above described area contains undeveloped acreage and acreage that will not be part of the initial waterflood project. Therefore, in compliance with Division Rule 701.G(3), the project area should be reduced to include the following described 1088.50 acres in Eddy County, New Mexico:

Township 20 South, Range 28 East, NMPM

Section 30: Lots 1-4, SE¼NW¼, E½SW¼, S½SE¼ Section 31: Lots 1-3, NE¼, E½NW¼, NE¼SW¼, N½SE¼, SE¼SE¼ Section 32; W½W½, NE¼SW¼

(7) The present Delaware oil producing wells within the subject project area and interval are in an advanced state of depletion and should therefore be properly classified as "stripper wells."

(8) Surface injection pressure on each well will initially be limited to 0.2 psi/foot. Each well should initially be equipped with a pressure gauge and the pressurization system should initially be equipped with a pressure activated bypass valve and a maximum pressure alarm.

(9) The Division Director should have the authority to administratively authorize a pressure limitation in excess of the above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(10) The applicant submitted data on the prospective injection wells, water wells in the area, and all other wells (including plugged wells) which penetrate the zone of interest within 1/2-mile of each of the proposed injection wells. This data shows that wells in the area are cased and plugged so as to protect fresh water and prevent fluid migration from the injection zone, and includes testimony indicating no evidence of open faults or any other hydroligic connection between the injection zone and the fresh water resources in the area.

 \checkmark (11) The operator of the proposed Avalon (Delaware) Unit Waterflood Project should take all steps necessary to ensure that the injected water enters and remains confined to only the proposed injection interval and is not permitted to escape from that interval and migrate into other formations, producing intervals, pools, or onto the surface from injection, production, or plugged and abandoned wells.

(12) The injection of water into the proposed injection wells should be accomplished through 2-3/8-inch plastic-coated tubing installed in a seal bore assembly set within 100 feet of the uppermost injection perforation; the casing-tubing annulus should be filled with an inert fluid and a gauge or approved leak-detection device should be attached to the annulus in order to determine leakage in the casing, tubing or seal bore assembly.

(13) Prior to commencing injection operations into the proposed injection wells, the casing in each well should be pressure tested throughout the interval from the surface down to the proposed seal bore assembly setting depth, to assure the integrity of such casing.

(14) The operator should give advance notification to the supervisor of the Artesia District Office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure-tests in order that the same may be witnessed.

(15) The proposed waterflood project should be approved and the project should be governed by the provisions of Rule Nos. 701 through 708 of the Oil Conservation Division Rules and Regulations.

(16) The applicant further requests that the subject waterflood project be approved by the Division as a qualified "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(17) The applicant submitted a unit production performance curve showing oil, gas and water production from 1983 to 1995. Oil production peaked at approximately 1760 barrels per month in 1984 and has now declined to approximately 400 barrels per month. Slight increases in production were shown in the early 1990's in response to an increase in the gas:oil ratio for the Avalon-Delaware Pool (Order No. R-6368, as amended) and well workovers.

(18) The evidence presented indicates that the subject waterflood project meets all the criteria for approval.

(19) The approved "project area" should initially comprise that area described in Finding Paragraph No. (6) above.

(20) To be eligible for the EOR credit, prior to commencing injection operations the operator must request from the Division a Certificate of Qualification, which certificate will specify the proposed project area as described above.

(21) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the operator must apply to the Division for certification of a positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to the Department of Taxation and Revenue those lands and wells which are eligible for the credit.

(22) The waterflood project is expected to cost \$14,400,000 and recover an additional 8.2 million barrels of oil.

(23) The injection authority granted herein for the proposed injection wells should terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject wells, provided however, the Division,

upon written request by the operator, may grant an extension thereof for good cause shown.

(24) The applicant requested approval of eighteen unorthodox oil well locations, being the first 18 wells described on Exhibit "A." The eighteen wells will initially be producing wells, but after a short period of production will be converted to injection. Approval of the unorthodox locations is necessary for the waterflood project and should be granted.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Exxon Corporation, is hereby authorized to institute a waterflood project in its Avalon (Delaware) Unit Area (Division Case No. 11298), Eddy County, New Mexico, by the injection of water into the Avalon-Delaware Pool (as found in that stratigraphic interval between 2378 feet to 4880 feet as identified by the Compensated Neutron/Lithodensity/Gamma Ray Log dated September 14, 1990 run in the Exxon Corporation Yates "C" Federal Well No. 36, located 1305 feet from the North and East lines (Unit A) of Section 31, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico through nineteen certain wells as further described in Exhibit "A" attached hereto and made a part hereof.

(2) The waterflood project, hereby designated the Avalon (Delaware) Unit Area, as further described below, which was the subject of Division Case No. 11298 heard in combination with this case:

AVALON (DELAWARE) UNIT WATERFLOOD PROJECT EDDY COUNTY, NEW MEXICO

Township 20 South, Range 27 East, NMPM

Section 25: E½E½ Section 36: E½E½

Township 20 South, Range 28 East, NMPM

Section 29: SW¼SW¼ Section 30: Lots 1-4, E½W½, SW¼NE¼, SE¼ Section 31: Lots 1-4, E½W½, E½ (All) Section 32: SW¼NE¼, W½, W½SE¼

Township 21 South, Range 27 East, NMPM

Section 4: Lot 4 Section 5: Lots 1 and 2 Section 6: Lots 1 and 2

(3) However, the initial waterflood project area, for allowable and tax credit purposes, shall comprise only the following described 1088.50 acres in Eddy County, New Mexico:

Township 20 South, Range 28 East, NMPM

Section 30: Lots 1-4, SE¼NW¼, E½SW¼, S½SE¼ Section 31: Lots 1-3, NE¼, E½NW¼, NE¼SW¼, N½SE¼, SE¼SE¼ Section 32; W½W½, NE¼SW¼

(4) The applicant must take all steps necessary to ensure that the injected water only enters and remains confined to the proposed injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

IT IS FURTHER ORDERED THAT:

(5) Injection shall be accomplished through 2-3/8-inch plastic-coated tubing installed in a seal bore assembly set approximately within 100 feet of the uppermost injection perforation; the casing-tubing annulus in each well shall be filled with an inert fluid and equipped with an approved pressure gauge or attention-attracting leak detection device.

(6) The injection wells or pressurization system for each injection well shall be so equipped as to initially limit injection pressure at the wellhead to no more than 0.2 psi/foot of depth to the top perforation.

(7) Any additional increase in the injection pressure limitation placed upon any well in the project area shall only be approved by the Santa Fe Office of the Division.

(8) Prior to commencing injection operations, the casing in each injection well shall be pressure-tested throughout the interval from the surface down to the proposed seal bore assembly setting depth, to assure the integrity of such casing.

(9) The operator shall give advance notification to the supervisor of the Artesia District Office of the Division of the date and time of the installation of injection equipment and of the mechanical integrity pressure-test in order that the same may be witnessed.

(10) The applicant shall immediately notify the supervisor of the Artesia District Office of the Division of the failure of the tubing, casing or seal bore assembly in any of the injection wells, the leakage of water or oil from or around any producing well, or the leakage of water or oil from any plugged and abandoned well within the project are, and shall take such steps as may be timely and necessary to correct such failure or leakage.

(11) The applicant shall conduct injection operations in accordance with Division Rule Nos. 701 through 708 and shall submit monthly progress reports in accordance with Division Rule Nos. 706 and 1115.

FURTHERMORE:

(12) The subject waterflood project is hereby approved as an "Enhanced Oil Recovery Project" pursuant to the "Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5).

(13) The approved "project area" shall initially comprise that area described in Decretory Paragraph No. (3) above.

(14) To be eligible for the EOR credit, prior to commencing injection operations the operator must request from the Division a Certificate of Qualification, which certificate will specify the proposed project area as described above.

(15) At such time as a positive production response occurs and within five years from the date of the Certificate of Qualification, the operator must apply to the Division for certification of a positive production response, which application shall identify the area actually benefitting from enhanced recovery operations, and identifying the specific wells which the operator believes are eligible for the credit. The Division may review the application administratively or set it for hearing. Based upon evidence presented, the Division will certify to the Department of Taxation and Revenue those lands and wells which are eligible for the credit.

(16) The injection authority granted herein for the proposed injection wells shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject wells, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

FURTHERMORE:

(17) The applicant is authorized to drill the first eighteen wells listed on Exhibit "A" attached hereto. The applicant may complete the wells as producers and later convert them to injection.

(18) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico on the day and year herein above designated.

STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

William J. LeMay Director

SEAL

EXHIBIT "A"

CASE NO. 11297 ORDER NO. R-

Exxon Corporation Unorthodox Well Locations Avalon (Delaware) Unit Waterflood Project Area

• •

Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico

Actual Staked Section Location		nange FNL & 1355' F		1 No change	1 1310' FNL	1 No cha	1 2610' FSL & 2549' F		1 2438' FSL & 7	2 2658'			2 133	31 No change
Originally Proposed Location	1668 FNL & 1455 FWL ^t 2310 FSL & 1485 FWL 992 FSL & 1489 FWL	046 FSL & 2677 83 FNL & 1397	123 FNL & 2673 FEL 46 FNL & 1402 FEL	1386 FNL & 1314 FWL 1335 FNL & 2681 FWL	317 FNL & 97 FE	0 FSL	699 FSL	66 FNL	2423 FSL & 78 FEL	648 FSL	37 F	1356 FSL & 99 FEL	1323 FSL & 1107 FWL	1305 FNL & 1305 FEL
Well Name and Number	AVALON DELAWARE UNIT 1212 AVALON DELAWARE UNIT 1412 AVALON DELAWARE INIT 1612	DELAWARE UNIT 161 DELAWARE UNIT 181	AVALON DELAWARE UNIT 1814 AVALON DELAWARE UNIT 1816	AVALON DELAWARE UNIT 2012	DELAWARE UNIT 201	AVALON DELAWARE UNIT 2212	AVALON DELAWARE UNIT 2214	AVALON DELAWARE UNIT 2216	AVALON DELAWARE UNIT 2218	AVALON DELAWARE UNIT 2220	AVALON DELAWARE UNIT 2412	AVALON DELAWARE UNIT 2418	AVALON DELAWARE UNIT 2420	AVALON DELAWARE UNIT 2016*

*Already drilled under prior Division Order (previously designated the Exxon Corporation Yates "C" Fed. #36).

HINKLE, COX, EATON, COFFIELD & HENSLEY **P.L.L.C.**[‡]

PAUL W EATON CONRAD E. COFFIELD IAROLD L. HENSLEY, JR STUART D. SHANOR ERIC D. LANPHERE C. D. MARTIN POBEPT B TINNIN IP JEFFREY L. FORNACIARI JEFFREY L FORNACIARI JEFFREY D. HEWETT JAMES BRUCE JERRY F SHACKELFORD* JEFFREY W. HELLBERG* WILLIAM F. COUNTISS* ALBERT L. PITTS C. D. MARTIN ROBERT P. TINNIN, JR MARSHALL G MARTIN MASTON C. COURTNEY*' DON L. PATTERSON*' THOMAS M. HNASKO JOHN C. CHAMBERS GARY D. COMPTON DOUGLAS L. LUNSFORD W H. BRIAN, JR.* W H. BRIAN, JR.⁴¹ RUSSELL J BAILEY⁴¹ CHARLES R. WATSON, JR.⁴¹ THOMAS D. HAINES, JR GREGORY J. NIBERT MARK C. DOW FRED W. SCHWENDIMANN NICHOLAS J. NOEDING T. CALDER EZZELL, JR. NICHOLAS J. NOEDING T. CALDER EZZELL, JR. WILLIAM B BURFORD[®] RICHARD E. OLSON RICHARD R. WILFONG[®] THOMAS J. MCBRIDE NANCY S. CUSACK JAMES M. HUDSON

· 7-

*REGISTERED IN NEW MEXICO AS HINKLE, COX. EATON COFFIELD & HENSLEY, P.L.L.C., LTD., CO. ATTORNEYS AT LAW

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EWIS C. COX, JR (1924-1993) CLARENCE E. HINKLE (1901-1985 OF COUNSEL O M. CALHOUN* JOE W. WOOD RICHARD L. CAZELL* RAY W RICHARDS* L. A. WHITE*

> AUSTIN AFFILIATION AUSTIN AFFILIATION HOFFMAN & STEPHENS, P.C. KENNETH R. HOFFMAN® TOM D. STEPHENS® RONALD C. SCHULTZ, JR.® JOSÉ CANO®

August 11, 1RECEIVED

JEFFREY S. BAIRD* THOMAS E. HOOD** REBECCA NICHOLS JOHNSON STANLEY K. KOTOVSKY, JR. H. R. THOMAS ELLEN S. CASEY MARGARET CARTER LUDEWIG G. BADRY DIALOUT S BARRY PAISNER MARTIN MEYERS WYATT L. BROOKS" DAVID M. RUSSELL" DAVID M. RUSSELL⁴⁴ ANDREW J. CLOUTIER STEPHANIE LANDRY KIRT E. MOELLING⁴⁴ DIANE FISHER JULIE P. NEERKEN WILLIAM P. SLATTERY CHRISTOPHER M. MOODY

JAMES A. GILLESPIE MARGARET R. MCNETT LISA K. SMITH* NORMAN D. EWART DARREN T GROCE* MOLLY MCINTOSH MARCIA B LINCOLN SCOTT A SCHUART* SCOTT A. SHUART PAUL G. NASON R. TREY ARVIZU, III AMY C. WRIGHT* BRADLEY G. BISHOP* KAROLYN KING NELSON ELLEN T. LOUDERBOUGH BARBARA GREGG GLENN JAMES H. WOOD"

*NOT LICENSED IN NEW MEXICO *FORMERLY COMPRISING THE FIRM OF CULTON, MORGAN, BRITAIN & WHITE, P.C.

HAND DELIVERED

AUG 1 1 1995

Michael E. Stogner Oil Conservation Division 2040 So. Pacheco Street Santa Fe, New Mexico 87502

Oil Conservation Division

Exxon Corporation's application for administrative approval Re: of four unorthodox well locations in the proposed Avalon (Delaware) Unit

Dear Mr. Stoqner:

Regarding the July 27, 1995 letter application by Alex Correa of Exxon: As you know, in Case No. 11297 Exxon requested 18 unorthodox well locations as part of the waterflood project for the Unit. Unfortunately, most of those locations were not staked at the time of hearing. After staking, it turns out most of the locations requested at the hearing are wrong. Attached for your information is a chart listing the locations requested at hearing and the current locations.

As a result of these changes, Mr. Correa requested administrative approval for the four injection wells, which will be the first four wells drilled for the proposed Unit. Exxon felt this application was necessary due to the changed locations.

We appreciate your attention to this matter. Please call if you have any questions.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & THENSLEY, P.L.L.C., Ltd., Co.

aus >uc James Bruce

Enclosure cc: William T. Duncaff, Jr.

POST OFFICE BOX IO ROSWELL, NEW MEXICO 88202 (505) 622-6510 FAX (505) 623-9332

POST OFFICE BOX 3580 MIDLAND, TEXAS 79702 (915) 683-4691 FAX (915) 683-6518

POST OFFICE BOX 9238 AMARILLO, TEXAS 79105 (806) 372-5569 FAX (806) 372-9761

POST OFFICE BOX 2043 ALBUQUERQUE, NEW MEXICO 87103 (505) 768-(500 FAX (505) 768-1529

401 W. ISTH STREET, SUITE 800 AUSTIN, TEXAS 78701 (512) 476-7137 FAX (512) 476-5431

EXHIBIT "A"

CASE NO. 11297 ORDER NO. R-

Exxon Corporation Unorthodox Well Locations Avalon (Delaware) Unit Waterflood Project Area

Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico

Actual Staked <u>Location</u>	1665' FNL & 1452' FWL 2301' FSL & 1485' FWL No change 101' FNL & 1355' FWL No change 43' FNL & 1355' FWL No change 1388' FNL & 1458' FEL No change 1388' FNL & 2750' FWL 1310' FNL & 97' FEL No change 2610' FSL & 2750' FWL 2564' FNL & 1377' FEL 2658' FSL & 1127' FWL No change No change 1333' FSL & 1107' FWL No change No change No change No change No change	
Section	00004444444444484484	
Originally Proposed Location	1668 FNL & 1455 FWL 2310 FSL & 1485 FWL 992 FSL & 1489 FWL 1046 FSL & 2677 FWL 183 FNL & 1397 FWL 123 FNL & 1397 FWL 123 FNL & 1402 FEL 1386 FNL & 1402 FEL 1386 FNL & 1314 FWL 1317 FNL & 1314 FWL 1317 FNL & 1312 FWL 1337 FSL & 1322 FWL 2699 FSL & 1322 FWL 2699 FSL & 1322 FWL 2648 FSL & 1324 FWL 1337 FSL & 1324 FWL 1337 FSL & 1324 FWL 13356 FSL & 1324 FWL 13356 FSL & 1325 FWL 2648 FSL & 1127 FWL 1337 FSL & 1324 FWL 13356 FSL & 1325 FWL 13356 FSL & 1355 FWL	
Well Name and Number	AVALON DELAWARE UNIT 1212 AVALON DELAWARE UNIT 1412 AVALON DELAWARE UNIT 1612 AVALON DELAWARE UNIT 1614 AVALON DELAWARE UNIT 1614 AVALON DELAWARE UNIT 1812 AVALON DELAWARE UNIT 1816 AVALON DELAWARE UNIT 2012 AVALON DELAWARE UNIT 2018 AVALON DELAWARE UNIT 2216 AVALON DELAWARE UNIT 2216 AVALON DELAWARE UNIT 2216 AVALON DELAWARE UNIT 2216 AVALON DELAWARE UNIT 2218 AVALON DELAWARE UNIT 2216 AVALON DELAWARE UNIT 2218	

*Already drilled under prior Division Order (previously designated the Exxon Corporation Yates "C" Fed. #36).

OIL CONSERVATION DIVISION

August 16, 1995

Hinkle, Cox, Eaton, Coffield & Hensley P.L.L.C. Attn: James Bruce P. O. Box 2068 Santa Fe, New Mexico 87504-2068

Exxon Corporation Attn: Alex Correa P. O. Box 1600 Midland, Texas 79702-1600

Re: Case Nos. **11,297 and 11,298**, Applications of Exxon Corporation for statutory unitization, to initiate a waterflood project, for "EOR" qualification, and for 18 unorthodox oil well locations, Eddy County, New Mexico.

Administrative request for four unorthodox oil well locations in Sections 31 and 32, Township 20 South, Range 28 East, NMPM, Eddy County, New Mexico.

Dear Messrs. Bruce and Correa:

Exxon's application for administrative approval by letter dated July 31, 1995 for four unorthodox oil well locations for the purpose of completing an efficient production/injection pattern within the proposed Avalon Delaware Unit Waterflood Project in Eddy County, New Mexico, which was the subject of controversy in consolidated Cases 11,297 and 11,298 heard in Hobbs, New Mexico on June 29, 1995, is being returned to you at this time.

These four wells were in part the subject of said controversial hearing, an order is still pending in this matter and should be issued shortly. Any action taken by the Division prior to the issuance of a decision in Case Nos. 11,297 and 11,298 on these four wells would be most inappropriate and could be construed as an attempt to circumvent the hearing process and to influence final judgement.

> OFFICE OF THE SECRETARY - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5950 ADMINISTRATIVE SERVICES DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5925 ENERGY CONSERVATION AND MANAGEMENT DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5900 FORESTRY AND RESOURCES CONSERVATION DIVISION - P. O. BOX 1948 - SANTA FE, NM 87505-6429 - (505) 827-5930 MINING AND MINERALS DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5970 OIL CONSERVATION DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5970 OIL CONSERVATION DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5970 OIL CONSERVATION DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5970 OIL CONSERVATION DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-5970 OIL CONSERVATION DIVISION - P. O. BOX 6429 - SANTA FE, NM 87505-6429 - (505) 827-7465

James Bruce / Alex Correa August 16, 1995 Page 2

Should there be any need for further questions or comments concerning this matter, Mr. Bruce may address them in a letter with appropriate notice to the other two parties in these proceedings.

Sincerely,

Michael E. Stogner Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Artesia U. S. Bureau of Land Management - Carlsbad Case File 11,297 Case File 11,298 William J. LeMay - OCD Director, Santa Fe Rand L. Carroll - Counsel, OCD, Santa Fe Yates Petroleum Corporation, c/o William F. Carr - Santa Fe Premier Oil & Gas, Inc., c/o W. Thomas Kellahin - Santa Fe

UT JUNCER - UN UN OPPEN BECHIEL

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POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

July 27, 1995

MIDLAND PRODUCTION OF GANIZATION IPERATIONS INTEGRITY

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Proposed Avalon (Delaware) Unit Unorthodox Locations Sections 31 & 32, T20S, R28E Eddy County, New Mexico

Mr. William J. LeMay New Mexico Oil Conservation Division 2040 South Pacheco Santa Fe, New Mexico 87505

Dear Mr. LeMay:

Exxon Corp. requests Administrative Approval of the Unorthodox Locations listed below in the Proposed Avalon Delaware Unit.

Well #	Location	Qtr./Qtr.	Unit Letter
2420	32-20S-28E	SWSW	L
2220	32-20S-28E	SWNW	· E
2216	31-20S-28E	SWNE	G
2014	31-20S-28E	SENW	F

These wells are necessary "to permit the completion of an efficient production and injection pattern with a secondary recovery or pressure maintenance project" and are not "closer than 330 feet to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any guarter-guarter section line or subdivision inner boundary" (Rule 104,F,1).

Exxon Corp. will operate the Unit and is also the offset operator of the existing lease and has no objections to these unorthodox locations. Copies of the following are attached for each well: C-101, C-102, Federal Form 3160-3 (for Federal wells). Approval of this application will allow the permits to drill to be released before unitization. A space is provided below for your signature. If you have any questions, please call me at (915) 688-6782.

Sincerely,

Cicle Alte Coursin Alex M. Correa

Signature:

William J. LeMay

Title: Date:

AMC:mym Attachments "\avalon.ltr

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	79702							30 - 0	AFE Nomber
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<u> </u>	MILL	-12	in		Approval by:		•		
alex M.	Correa				Title:				

Approves Date:

Sr. Requiatory Specialist

-District I PO Box 1980, Hobbs, NM 88241-1980

PO Drawer DD, Artesia, NM 88211-0719

1000 Rio Brasos Rd. , Aztec, NM 67410

District II

District III

State of New Mexico Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088

□ AMENDED REPORT

District IV PO Box 2086, Santa Fe, NM 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT Pool Code Pool Name API Number AVALON DELAWARE 3715 03715 Property Code Property Name Well Numbe AVALON (DELAWARE) UNIT 2420 OGRID No. Operator Name Elevation 007673 Exxon Corp. 3205 Surface Location Section Feet from the North/South line Feet from the East/West line County UL or lot no. Lot idn Township Range 32 20S 28E 1333' SOUTH 1107 WEST FDDY L Bottom Hole Location If Different From Surface UL or lot no. Ronge Feet from the Lot ide North/South line Feet from the East/West line Section Township County Dedicated Acres Joint or Infil **Consolidation** Code Order No. 40 NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNITL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION OPERATOR CERTIFICATION в′ D С I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Ε F G u Signature C.H. Harper Printed Name Permits Supervisor Title Date Κ L .1 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plot was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. 6/8/95 1107 Date of Survey Signature and Seal of Professional Surveyor. 2420 BRUCE R. PENNE M N ٥ D EN MEXIC 9082 Certificate N

Distance to nearest Town Drawn By Date Drawing File Name

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District I PO Box 1980, Hobbs, NM 88241-1980 District II PO Drawer DD, Artesia. NM 88211-0719

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District III

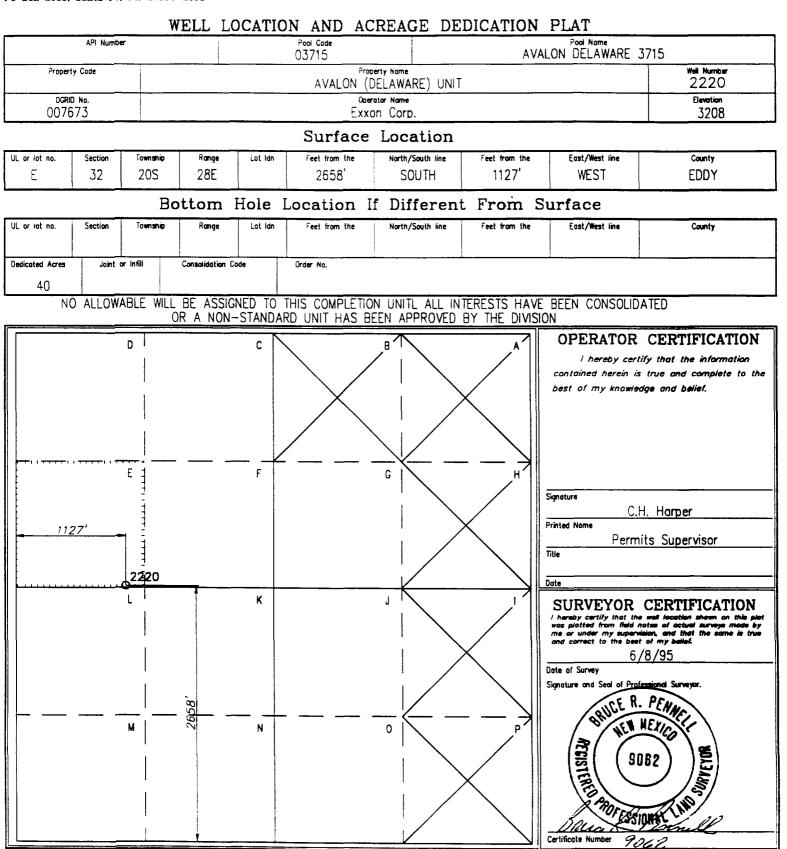
1000 Rio Brasos Rd. , Aztec, NM 87410

District IV PO Box 2088, Santa Fe. NM 87504-2088

State of New Mexico Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088

□ AMENDED REPORT



Orawn By

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strict IV) Box 2088, Santa Fe, NM 87504-2088

State of New Mexico Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION PO Box 2088

Santa Fe, NM 87504-2088

□ AMENDED REPORT

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	3/4 1/2" 3/4" MULTANEOL ** 4 1/2" G. 3/4" 5/8" 1/2" R SURFACE AN ON FIL TIVITIES S BLANKET VE SPACE DESCRIB	10 3/4 7 5/8" 4 1/2" ACREAGE = 2140 JSLY DEDICATED PROD. STRING CMT. TYPE REDI-MIX LITE CMT LITE CMT LITE CMT CLASS "C' E USE PLAN AND E. BOND COVE IS BEING PROV BOND NUMBER DE PROPOSED PROGRAM: (1)	40.4#/K-55 26.4#/K-55 4.56#/*** 0.14. ** #2 0 W/ # . 3 FROM 2300' 5 . & CLASS "C 0 DRILLING E ERAGE PURSUA /IDED BY EXX 511-23-06 (proposal is to deepen, give	600' 2540' **** 014 IS AT ***4 1/2 TO TD. DRILLI IGHT POIN NT TO 43 ON CORPOR BLM BOND data on present prod	350 500 300 AN UNORT " PROD. S " PROD. S " PLAN RE CFR 3104 ATION'S N NO. 0024) uctive zone and prop	CU. FT CU. FT CU. FT HODOX L TRING I TRING I FRR TO FOR LEA ATIONWI	. TO S . TO S LNR. OCATIO S FIBE UNITWI SE DE OIL	URF. URF. TOP N & RGLASS DAYS. DE AND
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*See Instructions On Reverse Side

District 1 PO Box 1960, Hobbs, NM 88241-1980 Distance to nearest Town

5.5 Miles N of CARLSBAD

District II

PO Drawer DD. Artesia. NM 88211-0719

District III 1000 Rio Brasos Rd. , Aztac, NM 87410

District IV PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION PO Box 2088

Santa Fe, NM 87504-2088

□ AMENDED REPORT

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Drawing File Name

File No · A10981n